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BASIC LAWS AND AUTHORITIES ON  
HOUSING AND COMMUNITY DEVELOPMENT  
REVISED THROUGH JANUARY 3, 1979

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COMMITTEE ON BANKING, FINANCE  
AND URBAN AFFAIRS  
HOUSE OF REPRESENTATIVES  
96th CONGRESS, FIRST SESSION



PART 1

Printed for the use of the  
Committee on Banking, Finance and Urban Affairs





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HOUSING AND COMMUNITY DEVELOPMENT  
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## LETTERS OF TRANSMITTAL

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DECEMBER 1979.

*To: All Members of the Committee on Banking, Finance and Urban Affairs:*

I hereby transmit for the use of the Committee on Banking, Finance, and Urban Affairs a revised Committee Print entitled, "Basic Laws and Authorities on Housing and Community Development." This compilation of laws and authorities is being updated in response to the numerous requests from Members of Congress and the public. The revision is made necessary by laws enacted, and numerous Executive Orders issued, since January 3, 1978, the date of our last revision.

The laws, Executive Orders, and other authorities contained in this Committee Print are those which authorize the functions and activities of the Department of Housing and Urban Development, or which are closely related to those functions and activities. They are arranged in accordance with their subject matter and are divided into the general categories of "Housing," "Community Development" and other "General Laws Applicable to Housing and Community Development Activities."

The Committee has been assisted in the preparation of this revised compilation by the Office of General Counsel in the Department of Housing and Urban Development. As in past years, the excellent technical assistance provided by this Office has proved invaluable.

Sincerely,

HENRY S. REUSS, *Chairman.*

---

DECEMBER 1979.

HON. HENRY S. REUSS,

*Chairman, Committee on Banking, Finance and Urban Affairs.  
U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith for your consideration is an extensive revision of the Committee publication "Basic Laws and Authorities on Housing and Community Development."

Due to the increased volume and the rapidly changing nature of laws and authorities relating to housing and community development, periodic revisions of this compilation of "Basic Laws" is necessary.

In transmitting this revised compilation, I would like to acknowledge the excellent assistance in its preparation we received from the Office of General Counsel, Department of Housing and Urban Development.

Sincerely,

THOMAS L. ASHLEY,

*Chairman, Subcommittee on Housing  
and Community Development.*



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# PART I: BASIC LAWS AND AUTHORITIES ON HOUSING

## NATIONAL HOUSING GOALS

### EXCERPT FROM THE HOUSING ACT OF 1949

[Public Law 171, 81st Congress; 63 Stat. 413; 42 U.S.C. 1441]

#### DECLARATION OF NATIONAL HOUSING POLICY

SEC. 2. The Congress hereby declares that the general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the Nation. The Congress further declares that such production is necessary to enable the housing industry to make its full contribution toward an economy of maximum employment, production, and purchasing power. The policy to be followed in attaining the national housing objective hereby established shall be: (1) private enterprise shall be encouraged to serve as large a part of the total need as it can; (2) governmental assistance shall be utilized where feasible to enable private enterprise to serve more of the total need; (3) appropriate local public bodies shall be encouraged and assisted to undertake positive programs of encouraging and assisting the development of well-planned, integrated residential neighborhoods, the development and redevelopment of communities, and the production, at lower costs, of housing of sound standards of design, construction, livability, and size for adequate family life; (4) governmental assistance to eliminate substandard and other inadequate housing through the clearance of slums and blighted areas, to facilitate community development and redevelopment, and to provide adequate housing for urban and rural nonfarm families with incomes so low that they are not being decently housed in new or existing housing shall be extended to those localities which estimate their own needs and demonstrate that these needs are not being met through reliance solely upon private enterprise, and without such aid; and (5) governmental assistance for decent, safe, and sanitary farm dwellings and related facilities shall be extended where the farmowner demonstrates that he lacks sufficient resources to provide such housing on his own account and is unable to secure necessary credit for such housing from other sources on terms and conditions which he could reasonably be

expected to fulfill. The Department of Housing and Urban Development<sup>1</sup> and any other departments or agencies of the Federal Government having powers, functions, or duties with respect to housing, shall exercise their powers, functions or duties under this or any other law, consistently with the national housing policy declared by this Act and in such manner as will facilitate sustained progress in attaining the national housing objective hereby established, and in such manner as will encourage and assist (1) the production of housing of sound standards of design, construction, livability, and size for adequate family life; (2) the reduction of the costs of housing without sacrifice of such sound standards; (3) the use of new designs, materials, techniques, and methods in residential construction, the use of standardized dimensions and methods of assembly of home-building materials and equipment, and the increase of efficiency in residential construction and maintenance; (4) the development of well-planned, integrated, residential neighborhoods and the development and redevelopment of communities; and (5) the stabilization of the housing industry at a high annual volume of residential construction.

\* \* \* \* \*

Approved July 15, 1949.

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## EXCERPT FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ACT

[Public Law 89-174, 79 Stat. 667, 5 U.S.C. 624]

### DECLARATION OF PURPOSE

SEC. 2. The Congress hereby declares that the general welfare and security of the Nation and the health and living standards of our people require, as a matter of national purpose, sound development of the Nation's communities and metropolitan areas in which the vast majority of its people live and work.

To carry out such purpose, and in recognition of the increasing importance of housing and urban development in our national life, the Congress finds that establishment of an executive department is desirable to achieve the best administration of the principal programs of the Federal Government which provide assistance for housing and for the development of the Nation's communities, to assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban, or metropolitan development; to encourage the solution of problems of housing, urban development, and mass transportation through State, county, town, village, or other local and private action, including promotion of interstate, regional, and metropolitan cooperation; to encourage the maximum contributions that may be made by vigorous private homebuilding and mortgage lending industries to housing, urban development, and the national economy; and to provide for full and appropriate consideration, at the national level, of the needs

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<sup>1</sup> "Department of Housing and Urban Development" was substituted for "Housing and Home Finance Agency and its constituent agencies" by Public Law 90-19, approved May 25, 1967, 81 Stat. 17.

and interests of the Nation's communities and of the people who live and work in them.

\* \* \* \* \*

Approved September 9, 1965.

### EXCERPTS FROM THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476, 601; 12 U.S.C. 1701t and 42 U.S.C. 1441a]

AN ACT To assist in the provision of housing for low and moderate income families, and extend and amend laws relating to housing and urban development.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Housing and Urban Development Act of 1968".

#### DECLARATION OF POLICY

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family."

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

\* \* \* \* \*

## TITLE XVI—HOUSING GOALS AND ANNUAL HOUSING REPORT

#### REAFFIRMATION OF GOAL

SEC. 1601. (a) <sup>1</sup> The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it can be substantially achieved

<sup>1</sup> Sec. 801(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted (a) following sec. 1601.



within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

(b) The Congress further finds that policies designed to contribute to the achievement of the national housing goal have not directed sufficient attention and resources to the preservation of existing housing and neighborhoods, that the deterioration and abandonment of housing for the Nation's lower income families has accelerated over the last decade, and that this acceleration has contributed to neighborhood disintegration and has partially negated the progress toward achieving the national housing goal which has been made primarily through new housing construction.

(c) The Congress declares that if the national housing goal is to be achieved, a greater effort must be made to encourage the preservation of existing housing and neighborhoods through such measures as housing preservation, moderate rehabilitation, and improvements in housing management and maintenance, in conjunction with the provision of adequate municipal services. Such an effort should concentrate, to a greater extent than it has in the past, on housing and neighborhoods where deterioration is evident but has not yet become acute.<sup>1</sup>

#### REPORT OUTLINING PLAN

SEC. 1602. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1601. Such plan shall—

- (1) indicate the number of new or rehabilitated housing units which it is anticipated will have to be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will have to be provided under each of the various Federal programs designed to assist in the provision of housing;

- (2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will have to occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

- (3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

- (4) make recommendations with respect to the legislative and administrative actions necessary or desirable to achieve the objectives of the plan; and

- (5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

Such report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, includ-

<sup>1</sup> Sec. 801(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted new subsections (b) and (c).

ing an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such year, together with such recommendations as may be deemed appropriate for encouraging the availability of such funds.

#### PERIODIC REPORTS

SEC. 1603.<sup>1</sup> Not later than January 20 of each year, the President shall transmit to the Congress a report which—

(1) reviews the progress made in achieving housing production objectives during the preceding year, and in the event that proposed objectives are not achieved, identifies the reasons for the failure;

(2) projects the level, composition, and general location of production and rehabilitation activity during the current year, and reassesses the availability of required resources;

(3) specifies Federal programs and policies to be implemented or recommended in order to achieve the objective;

(4) updates estimates of the housing needs of lower income families, analyzing these needs, insofar as possible, by type of household, housing need, including households with specialized needs, and general location, and in addition, reassesses the capacity of each Federal housing program to serve the needs identified;

(5) reviews the progress made in achieving goals of conserving and upgrading older housing and neighborhoods, expanding homeownership and equal housing opportunities, and assuring reasonable shelter costs;

(6) reports on progress made toward developing new methods for measuring and monitoring progress in achieving these goals; and

(7) identifies legislative and administrative actions which will or should be adopted or implemented during the current year to support achievement of the goals.

<sup>1</sup> Amended by Sec. 906, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978. The provision formerly read as follows:

#### PERIODIC REPORTS

SEC. 1603. On February 15, 1970, and on each succeeding year through 1979, the President shall submit to the Congress a report which shall—

(1) compare the results achieved during the preceding fiscal year for the completion of new or rehabilitated housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

(3) provide an assessment of developments and progress during the preceding fiscal year with respect to the preservation of deteriorating housing and neighborhoods and indicate the efforts to be undertaken in future years to encourage such action;\*

(4) project residential mortgage market needs and prospects for the coming calendar year including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such period, in order to achieve the objectives of the plan;

(5) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

(6) make recommendations with respect to any additional legislative or administrative action which is necessary or desirable to achieve the objectives of the plan; and

(7) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

\*Sec. 801(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, redesignated paragraphs (3) through (6) as "(4)" through "(7)", and inserted a new paragraph (3).

\* \* \* \* \*

Approved August 1, 1968.

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EXCERPT FROM DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT ACT

[Public Law 89-174, 79 Stat. 667, 670, 42 U.S.C. 3536]

SEC. 8. The Secretary shall, as soon as practicable after the end of each calendar year, make a report to the President for submission to the Congress on the activities of the Department during the preceding calendar year.

\* \* \* \* \*

Approved September 9, 1965.

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EXCERPTS FROM HOUSING ACT OF 1954

[Public Law 560, 83d Congress, 68 Stat. 590, 642, 12 U.S.C. 1701o]

SEC. 802.<sup>1</sup> (a) The Secretary of Housing and Urban Development shall, as soon as practicable during each calendar year, make a report to the President for submission to the Congress on all operations and programs (including but not limited to the insurance, urban renewal, public housing, and rent supplement programs) under the jurisdiction of the Department of Housing and Urban Development during the previous calendar year. Such report shall contain recommendations for strengthening or improving such programs, or, when necessary to implement more effectively Congressional policies and purposes, for establishing new or alternative programs.

\* \* \* \* \*

REPORT TO CONGRESS OF INFORMATION ON HOUSING

SEC. 817. The annual report made by the Secretary of Housing and Urban Development to the President for submission to the Congress on all operations provided for by section 802 hereof shall contain pertinent information with respect to all projects for which any loan, contribution, or grant has been made by the Department of Housing and Urban Development, including the amount of loans, contributions and grants contracted for, and shall also contain pertinent information with respect to all builders' cost certifications required by section 227 of the National Housing Act, as amended, including information as to the amounts paid by mortgagors to mortgagees for application to

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<sup>1</sup> Prior to amendment by sec. 1101, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 502, sec. 802(a) read as follows: "(a) The Housing and Home Finance Administrator shall, as soon as practicable during each calendar year, make a report to the President for submission to the Congress on all operations under the jurisdiction of the Housing and Home Finance Agency during the previous calendar year."

Sec. 10, Public Law 90-19, approved May 25, 1967, 81 Stat. 17, 22, substituted "Secretary of Housing and Urban Development" for "Housing and Home Finance Administrator" and "Department of Housing and Urban Development" for "Housing and Home Finance Agency" in order to make this section and other sections in this act conform to the Department of Housing and Urban Development Act which placed all the functions of the Housing and Home Finance Administrator in the Secretary of Housing and Urban Development.

See also sec. 7(b), United States Housing Act of 1937.



the reduction of the principal obligations of the mortgages pursuant to that section.

\* \* \* \* \*

Approved August 2, 1954.



## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ACT

[Public Law 89-174, 79 Stat. 667; 42 U.S.C. 3531]

AN ACT To establish a Department of Housing and Urban Development, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Department of Housing and Urban Development Act".

### DECLARATION OF PURPOSE

SEC. 2. The Congress hereby declares that the general welfare and security of the Nation and the health and living standards of our people require, as a matter of national purpose, sound development of the Nation's communities and metropolitan areas in which the vast majority of its people live and work.

To carry out such purpose, and in recognition of the increasing importance of housing and urban development in our national life, the Congress finds that establishment of an executive department is desirable to achieve the best administration of the principal programs of the Federal Government which provide assistance for housing and for the development of the Nation's communities; to assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban, or metropolitan development; to encourage the solution of problems of housing, urban development, and mass transportation through State, county, town, village, or other local and private action, including promotion of interstate, regional, and metropolitan cooperation; to encourage the maximum contributions that may be made by vigorous private homebuilding and mortgage lending industries to housing, urban development, and the national economy; and to provide for full and appropriate consideration, at the national level, of the needs and interests of the Nation's communities and of the people who live and work in them.

### ESTABLISHMENT OF DEPARTMENT

SEC. 3. (a) There is hereby established at the seat of government an executive department to be known as the Department of Housing and Urban Development (hereinafter referred to as the "Department"). There shall be at the head of the Department a Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary"), who shall be appointed by the President by and with the advice and consent of the Senate. The Department shall be administered under the supervision and direction of the Secretary.<sup>1</sup>

<sup>1</sup> Public Law 90-83, approved Sept. 11, 1967, 81 Stat. 195, repealed provisions of the Department Act relating to salaries of the Secretary and other officials. See 5 U.S.C. 5311, et seq., for salaries of these officers.

(b) The Secretary shall, among his responsibilities advise the President with respect to Federal programs and activities relating to housing and urban development; develop and recommend to the President policies for fostering the orderly growth and development of the Nation's urban areas; exercise leadership at the direction of the President in coordinating Federal activities affecting housing and urban development; provide technical assistance and information, including a clearinghouse service to aid State, county, town, village, or other local governments in developing solutions to community and metropolitan development problems; consult and cooperate with State Governors and State agencies, including, when appropriate, holding informal public hearings, with respect to Federal and State programs for assisting communities in developing solutions to community and metropolitan development problems and for encouraging effective regional cooperation in the planning and conduct of community and metropolitan development programs and projects; encourage comprehensive planning by the State and local governments with a view to coordinating Federal, State, and local urban and community development activities; encourage private enterprise to serve as large a part of the Nation's total housing and urban development needs as it can and develop the fullest cooperation with private enterprise in achieving the objectives of the Department; and conduct continuing comprehensive studies, and make available findings, with respect to the problems of housing and urban development.

(c) Nothing in this Act shall be construed to deny or limit the benefits of any program, function, or activity assigned to the Department by this or any other Act to any community on the basis of its population or corporate status, except as may be expressly provided by law.

#### UNDER SECRETARY AND OTHER OFFICERS AND OFFICES

SEC. 4. (a) There shall be in the Department an Under Secretary, eight<sup>1</sup> Assistant Secretaries, and a General Counsel, who shall be appointed by the President by and with the advice and consent of the Senate, and who shall perform such functions, powers, and duties as the Secretary shall prescribe from time to time. There shall be in the Department a Federal Housing Commissioner, who shall be one of the Assistant Secretaries, who shall head a Federal Housing Administration within the Department, who shall have such duties and powers as may be prescribed by the Secretary, and who shall administer, under the supervision and direction of the Secretary, departmental programs relating to the private mortgage market.

(b)<sup>2</sup> There shall be in the Department a Director of Urban Program Coordination, who shall be designated by the Secretary. He shall as-

<sup>1</sup> Sec. 808, 1968 Civil Rights Act, Public Law 90-284, approved Apr. 11, 1968, 82 Stat. 73, 84, provided that the Department should be provided an additional Assistant Secretary, and substituted "five" for "four". Sec. 1708, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 606, substituted "six" for "five". Sec. 818(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved Aug. 22, 1974, substituted "eight" for "six".

<sup>2</sup> Sec. 818(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted subsection (b). Prior to enactment this subsection read as follows: There shall be in the Department an Assistant Secretary for Administration, who shall be appointed, with the approval of the President, by the Secretary under the classified civil service, who shall perform such functions, powers, and duties as the Secretary shall prescribe from time to time.

Sec. 818(a)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, redesignated subsections (c) and (d) as subsections (b) and (c).



sist the Secretary in carrying out his responsibilities to the President with respect to achieving maximum coordination of the programs of the various departments and agencies of the Government which have a major impact on community development. In providing such assistance, the Director shall make such studies of urban and community problems as the Secretary shall request, and shall develop recommendations relating to the administration of Federal programs affecting such problems, particularly with respect to achieving effective cooperation among the Federal, State, and local agencies concerned. Subject to the direction of the Secretary, the Director shall, in carrying out his responsibilities, (1) establish and maintain close liaison with the Federal departments and agencies concerned, and (2) consult with State, local, and regional officials, and consider their recommendations with respect to such programs.

(c)<sup>1</sup> There shall be in the Department an Assistant to the Secretary, designated by the Secretary, who shall be responsible for providing information and advice to nonprofit organizations desiring to sponsor housing projects assisted under programs administered by the Department.

(d) (1) There shall be in the Department a Special Assistant for Indian and Alaska Native Programs, who shall be responsible for coordinating all programs of the Department relating to Indian and Alaska Native housing and community development. The Special Assistant for Indian and Alaska Native Programs shall be designated by the Secretary not later than 60 days after the date of enactment of this subsection.

(2) The Secretary shall, not later than December 1 of each year, submit to Congress an annual report which shall include—

(A) a description of his actions during the current year and a projection of his activities during the succeeding years;

(B) estimates of the cost of the projected activities for succeeding fiscal years;

(C) a statistical report on the conditions of Indian and Alaska Native housing and

(D) recommendations for such legislative, administrative, and other actions, as he deems appropriate.<sup>2</sup>

#### TRANSFERS TO DEPARTMENT

SEC. 5. (a) Except as otherwise provided in subsection (b) of this section, there are hereby transferred to and vested in the Secretary all of the functions, powers, and duties of the Housing and Home Finance Agency, of the Federal Housing Administration and the Public Housing Administration in that Agency, and of the heads, and other officers and offices of said agencies.

(b) The Government<sup>3</sup> National Mortgage Association, together with its functions, powers, and duties, is hereby transferred to the Department. The next to the last sentence of section 308 of the Federal National Mortgage Association Charter Act is hereby repealed.

(c) The President shall undertake studies of the organization of housing and urban development functions and programs within the

<sup>1</sup> Added by Sec. 917, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved Oct. 12, 1977, amended section 4 by adding at the end thereof a new subsection (d).

<sup>3</sup> Sec. 807(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 544, substituted "Government" for "Federal".

Federal Government, and he shall provide the Congress with the findings and conclusions of such studies, together with his recommendations regarding the transfer of such functions and programs to or from the Department. Notwithstanding any other provision of this Act, none of the functions of the Secretary of the Interior authorized under the Land and Water Conservation Fund Act of 1965 (78 Stat. 897) or other functions carried out by the Bureau of Outdoor Recreation shall be transferred from the Department of the Interior or in any way be limited geographically unless specifically provided for by reorganization plan pursuant to provisions of the Reorganization Act of 1949 (63 Stat. 203), as amended, or by statute.

#### CONFORMING AMENDMENTS

SEC. 6. (a) Section 19(d)(1) of title 3 of the United States Code is hereby amended by striking out the period at the end thereof and inserting a comma and the following: "Secretary of Health, Education, and Welfare, Secretary of Housing and Urban Development."

(b) Section 158 of the Revised Statutes (5 U.S.C. 1) is amended by adding at the end thereof:

"Eleventh. The Department of Housing and Urban Development."  
Repealed.<sup>1</sup>

(c) The amendment made by subsection (b) of this section shall not be construed to make applicable to the Department any provision of law inconsistent with this Act.

#### ADMINISTRATIVE PROVISIONS

SEC. 7. (a) The personnel employed in connection with, and the assets, liabilities, contracts, property, records, and unexpended balances of appropriations authorizations, allocations, or other funds held, used, arising from, or available or to be made available in connection with, the functions, powers, and duties transferred by section 5 of this Act are hereby transferred with such functions, powers, and duties, respectively.

(b) No transfer of functions, powers, and duties shall at any time be made within the Department in connection with the secondary market operations of the Federal National Mortgage Association unless the Secretary finds that the rights and interests of owners of outstanding common stock issued under the Federal National Mortgage Association Charter Act will not be adversely affected thereby.  
Repealed.<sup>2</sup>

(c) The Secretary is authorized, subject to the civil service and classification laws, to select, appoint, employ, and fix the compensation of such officers and employees, including attorneys as shall be necessary to carry out the provisions of this Act and to prescribe their authority and duties: *Provided*, That any other provision of law to the contrary notwithstanding, the Secretary may fix the compensa-

<sup>1</sup> Sec. 10(b), Public Law 90-83, approved Sept. 11, 1967, Stat. 195, 233, repealed sec. 6(b). However, in sec. 10(b) of the Department of Transportation Act, Public Law 89-670, approved October 15, 1966, 80 Stat. 931, 948, the Department of Housing and Urban Development was included in the recodified section 101 of title 5, United States Code.

<sup>2</sup> Sec. 807(d), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 544, repealed section 7(b).

tion for not more than six<sup>1</sup> positions in the Department at the annual rate applicable to positions in level V of the Federal Executive Salary Schedule provided by the Federal Executive Salary Act of 1964.

(d) The Secretary may delegate any of his functions, powers, and duties to such officers and employees of the Department as he may designate, may authorize such successive redelegations of such functions, powers, and duties as he may deem desirable, and may make such rules and regulations as may be necessary to carry out his functions, powers, and duties. The second proviso of section 101(c) of the Housing Act of 1949 is hereby repealed.

(e) The Secretary may obtain services as authorized by section 15 of the Act of August 2, 1946, at rates for<sup>2</sup> individuals not to exceed the per diem equivalent to the highest rate for grade GS-18 of the General Schedule under section 5332 of title 5, United States Code.

(f) The Secretary is authorized to establish a working capital fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of such common administrative services as he shall find to be desirable in the interest of economy and efficiency in the Department, including such services as a central supply service for stationery and other supplies and equipment for which adequate stocks may be maintained to meet in whole or in part the requirements of the Department and its agencies; central messenger, mail, telephone, and other communications services; office space; central services for document reproduction and for graphics and visual aids; and a central library service. In addition to amounts appropriated to provide capital for said fund, which appropriations are hereby authorized, the fund shall be capitalized by transfer to it of such stocks of supplies and equipment on hand or on order as the Secretary shall direct. Such funds shall be reimbursed from available funds of agencies and offices in the Department for which services are performed at rates which will return in full all expenses of operation, including reserves for accrued annual leave and for depreciation of equipment.

(g) The Secretary shall cause a seal of office to be made for the Department of such device as he shall approve, and judicial notice shall be taken of such seal.

(h)<sup>3</sup> Except as such authority is otherwise expressly provided in any other Act administered by the Secretary, such financial transactions of the Secretary as the making of loans or grants (and vouchers approved by the Secretary in connection with such financial transactions) shall be final and conclusive upon all officers of the Government. Funds made available to the Secretary pursuant to any provision of law for such financial transactions shall be deposited in a checking account or accounts with the Treasurer of the United States. Such funds and any receipts and assets obtained or held by the Secretary

<sup>1</sup> Sec. 808(b), 1968 Civil Rights Act, Public Law 90-284, approved Apr. 11, 1968, 82 Stat. 73. 84, substituted "seven" for "six". Sec. 17(d) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 7(c) of the Department of Housing and Urban Development Act by striking "seven" and inserting in lieu thereof "six".

<sup>2</sup> Sec. 906, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1811, amended the remainder of this sentence to increase the maximum amount payable to consultants from \$100 per diem to the daily equivalent to the highest rate for GS-18.

<sup>3</sup> Sec. 905, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1809, 1810, added subsections (h) to (l) inclusive.



in connection with such financial transactions shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Secretary in connection with such financial transactions. Notwithstanding the provisions of any other law, the Secretary may, with the approval of the Comptroller General, consolidate into one or more accounts for banking and checking purposes all cash obtained or held in connection with such financial transactions, including amounts appropriated, from whatever source derived.

(i) Except as such authority is otherwise expressly provided in any other Act administered by the Secretary, the Secretary is authorized to—

(1) foreclose on any property or commence any action to protect or enforce any right conferred upon him by any law, contract, or other agreement, and bid for and purchase at any foreclosure or any other sale any property in connection with which he has made a loan or grant. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease, and otherwise deal with, such property: *Provided*, That any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property: *Provided further*, That section 3709 of the Revised Statutes shall not apply to any contract for services or supplies on account of any property so acquired or owned if the amount of such contract does not exceed \$2,500;

(2) enter into agreements to pay annual sums in lieu of taxes to any State or local taxing authority with respect to any real property so acquired or owned;

(3) sell or exchange at public or private sale, or lease, real or personal property, and sell or exchange any securities or obligations, upon such terms as he may fix;

(4) obtain insurance against loss in connection with property and other assets held;

(5) consent to the modification, with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or agreement to which he is a party or which has been transferred to him; and

(6) include in any contract or instrument such other covenants, conditions, or provisions as he may deem necessary.

(j) Notwithstanding any other provision of law the Secretary is authorized to establish fees and charges, chargeable against program beneficiaries and project participants, which shall be adequate to cover over the long run, costs of inspection, project review and financing service, audit by Federal or federally authorized auditors, and other beneficial rights, privileges, licenses, and services. Such fees and charges heretofore or hereafter collected shall be considered non-administrative and shall remain available for operating expenses of the Department in providing similar services on a consolidated basis.

(k) (1) The Secretary is authorized to accept and utilize voluntary and uncompensated services and accept, hold, administer, and utilize

gifts and bequests of property, both real and personal, for the purpose of aiding or facilitating the work of the Department. Gifts and bequests of money and the proceeds from sales of other property received as gifts or bequests shall be deposited in the Treasury in a separate fund and shall be disbursed upon order of the Secretary. Property accepted pursuant to this paragraph, and the proceeds thereof, shall be used as nearly as possible in accordance with the terms of the gift or bequest.

(2) For the purpose of Federal income, estate, and gift taxes, property accepted under paragraph (1) shall be considered as a gift or bequest to or for use of the United States.

(3) Upon the request of the Secretary, the Secretary of the Treasury may invest and reinvest in securities of the United States or in securities guaranteed as to principal and interest by the United States any moneys contained in the fund provided for in paragraph (1). Income accruing from such securities and from any other property held by the Secretary pursuant to paragraph (1) shall be deposited to the credit of the fund and shall be disbursed upon order of the Secretary.

(l) The Secretary is authorized to appoint, without regard to the civil service laws, such advisory committees as shall be appropriate for the purpose of consultation with and advice to the Department in performance of its functions. Members of such committees, other than those regularly employed by the Federal Government, while attending meetings of such committees or otherwise serving at the request of the Secretary, may be paid compensation at rates not exceeding those authorized for individuals under subsection (e) of this section, and while so serving away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(m)<sup>1</sup> Whenever he shall determine that, because of location, or other considerations, any rental housing project assisted under title II of the National Housing Act or title I of the Housing and Urban Development Act of 1965 could ordinarily be expected substantially to serve the family housing needs of lower income military personnel serving on active duty, the Secretary is authorized to provide for or approve such preference or priority of occupancy of such project by such military personnel as he shall determine is appropriate to assure that the project will serve their needs on a continuing basis notwithstanding the frequency with which individual members of such personnel may be transferred or reassigned to new duty stations.

(n)<sup>2</sup> Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip, and operate a day care center facility or facilities, or to assist in establishing,

<sup>1</sup> Sec. 120(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, 1776, added subsection (m).

<sup>2</sup> Sec. 21 of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 7 of the Department of Housing and Urban Development Act by inserting a new subsection (n). This was further amended by section 316, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978. The previous subsection read as follows:

Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip and operate a day care center facility for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by such a day care center.



equipping, and operating interagency day care facilities for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by any such day care center. In addition, limited start-up costs may be provided by the Secretary in an amount limited to 3 per centum of the first year's operating budget, but not to exceed \$3,500.

#### LEGISLATIVE REVIEW

(o) <sup>1</sup> (1) Notwithstanding any other provision of law, the Secretary shall transmit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives an agenda of all rules or regulations which are under development or review by the Department. Such an agenda shall be transmitted to such Committees within 30 days of the date of enactment of this subsection and at least semi-annually thereafter.

(2) (A) Any rule or regulation which is on any agenda submitted under paragraph (1) may not be published for comment prior to or during the first period of 15 calendar days of continuous session of Congress which occurs after the date on which such agenda was transmitted. If within such period, either Committee notifies the Secretary in writing that it intends to review any rule or regulation or portion thereof which appears on the agenda, the Secretary shall submit to both Committees a copy of any such rule or regulation, in the form it is intended to be proposed, at least 15 calendar days of continuous session prior to its being published for comment in the Federal Register.

(B) Any rule or regulation which has not been published for comment before the date of enactment of this subsection and which does not appear on an agenda submitted under paragraph (1) shall be submitted to both such Committees at least 15 calendar days of continuous session of Congress prior to its being published for comment.

(3) No rule or regulation may become effective until after the first period of 20 calendar days of continuous session of Congress which occurs after the day on which such rule or regulation is published as final. If within such 20-day period, either Committee has reported out or been discharged from further consideration of a joint resolution of disapproval or other legislation which is intended to modify or invalidate the rule or regulation or any portion thereof, the rule or regulation or portion thereof so addressed shall not become effective for a period of 90 calendar days from the date of Committee action or discharge unless the House to which such Committee reports has rejected such resolution or legislation, in which case the rule or regulation may go into effect only after the expiration of the 20 calendar days described in the first sentence of this paragraph if the other House does not have such a resolution or legislation pending or adopted, and if the requirements of section 553 of title 5, United States Code, are met.

<sup>1</sup> Subsection (o) was added by sec. 324, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved Oct. 31, 1978.

(4) The provisions of paragraphs (2) and (3) may be waived upon the written request of the Secretary, if agreed to by the Chairmen and Ranking Minority Members of both Committees.

(5) Congressional inaction on any rule or regulation shall not be deemed an expression of approval of the rule or regulation involved.

(6) For purposes of this subsection—

(A) continuity of session is broken only by an adjournment of Congress sine die;

(B) the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of calendar days of continuous session of Congress; and

(C) the term “rule or regulation” does not include the setting of interest rates pursuant to section 3 of Public Law 90-301.

#### COST-BENEFIT ANALYSIS OF FIELD REORGANIZATIONS

(p) <sup>1</sup> A plan for the reorganization of any regional, area, insuring, or other field office of the Department of Housing and Urban Development may take effect only upon the expiration of 90 days after publication in the Federal Register of a cost-benefit analysis of the effects of the plan on each office involved. Such cost-benefit analysis shall include, but not be limited to—

(1) an estimate of cost savings supported by the background information detailing the source and substantiating the amount of the savings;

(2) an estimate of the additional cost which will result from the reorganization;

(3) a study of the impact on the local economy; and

(4) an estimate of the effect of the reorganization on the availability, accessibility, and quality of services provided for recipients of those services.

where any of the above factors cannot be quantified, the Secretary shall provide a statement on the nature and extent of those factors in the cost-benefit analysis.

#### ANNUAL REPORT

SEC. 8. The Secretary shall, as soon as practicable after the end of each calendar year, make a report to the President for submission to the Congress on the activities of the Department during the preceding calendar year.

#### SAVINGS PROVISIONS

SEC. 9. (a) No cause of action by or against any agency whose functions are transferred by this Act, or by or against any officer of any agency in his official capacity, shall abate by reason of this enactment. Such causes of action may be asserted by or against the United States or such official of the Department as may be appropriate.

(b) No suit, action, or other proceeding commenced by or against any agency whose functions are transferred by this Act, or by or against any officer of any such agency in his official capacity, shall abate by reason of the enactment of this Act. A court may at any time during the pendency of the litigation, on its own motion or that

<sup>1</sup> Added by Sec. 908, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

of any party, order that the same may be maintained by or against the United States or such official of the Department as may be appropriate.

(c) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties transferred by this Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer or office of the Department as, in accordance with applicable law, may be appropriate. With respect to any function, power, or duty transferred by or under this Act and exercised hereafter, reference in another Federal law to the Housing and Home Finance Agency or to any officer, office, or agency therein, except the Federal National Mortgage Association and its officers, shall be deemed to mean the Secretary. The positions and agencies heretofore established by law in connection with the functions, powers, and duties transferred under section 5(a) of this Act shall lapse.

#### SEPARABILITY

SEC. 10. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act, or the application thereof to any persons or circumstances, shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act, or the application thereof to the persons and circumstances, directly involved in the controversy in which such judgment shall have been rendered.

#### EFFECTIVE DATE AND INTERIM APPOINTMENTS

SEC. 11. (a) The provisions of this Act shall take effect upon the expiration of the first period of sixty calendar days following the date on which this Act is approved by the President,<sup>1</sup> or on such earlier date as the President shall specify by Executive order published in the Federal Register, except that any of the officers provided for in sections 3(a), 4(a), and 4(b) of this Act may be nominated and appointed, as provided in such sections, at any time after the date this Act is approved by the President.

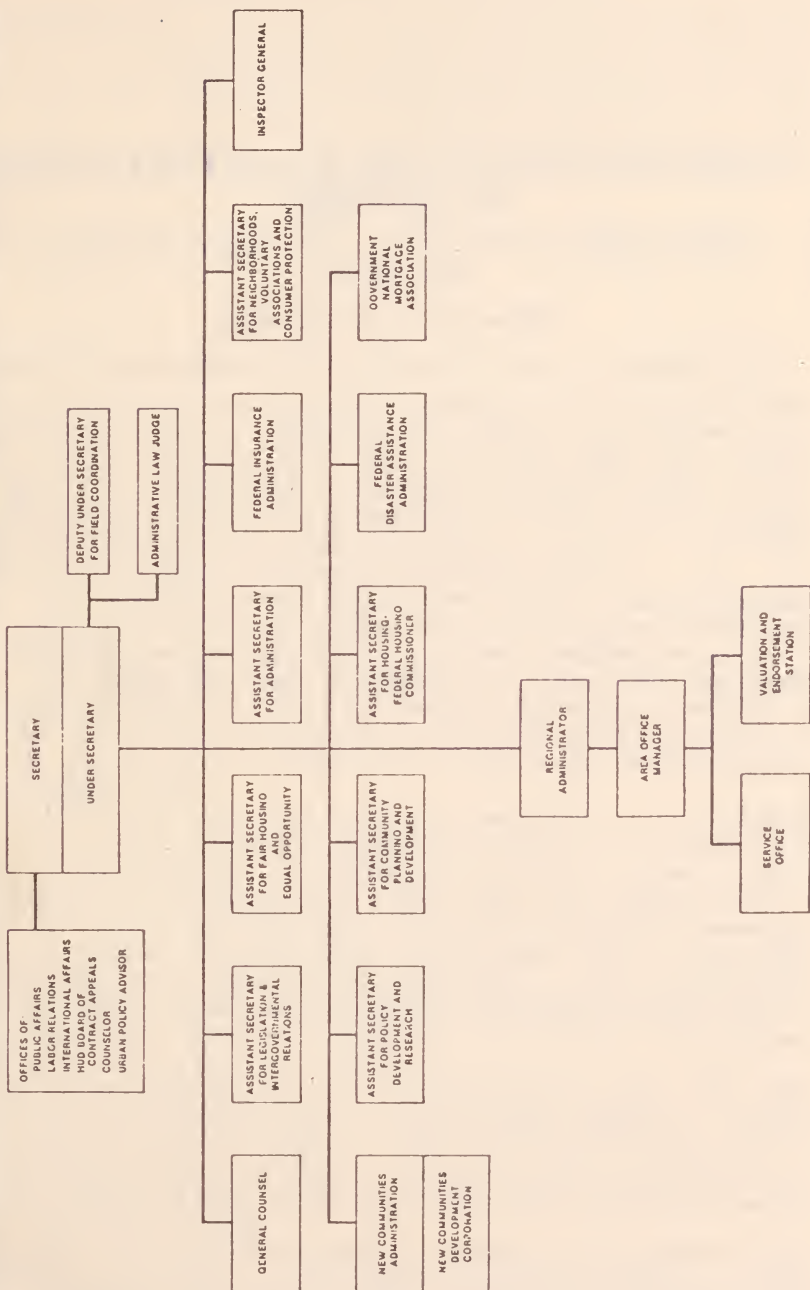
(b) In the event that one or more officers required by this Act to be appointed, by and with the advice and consent of the Senate, shall not have entered upon office on the effective date of this Act, the President may designate any person who was an officer of the Housing and Home Finance Agency immediately prior to said effective date to act in such office until the office is filled as provided in this Act or until the expiration of the first period of sixty days following said effective date, whichever shall first occur. While so acting such persons shall receive compensation at the rates provided by this Act for the respective offices in which they act.

Approved September 9, 1965.

<sup>1</sup> November 9, 1965.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ORGANIZATIONAL CHART



Approved: July 1979





## ADMINISTRATION OF HUD PROGRAMS—POLICY DIRECTIVES

### EXCERPT FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93-383, 88 Stat. 633]

#### LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

SEC. 213. (a)(1) The Secretary of Housing and Urban Development, upon receiving an application for housing assistance under the United States Housing Act of 1937, section 235 or 236 of the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or section 202 of the Housing Act of 1959, if the unit of general local government in which the proposed assistance is to be provided has an approved housing assistance plan, shall—

(A) not later than ten days after receipt of the application, notify the chief executive officer of such unit of general local government that such application is under consideration; and

(B) afford such unit of general local government the opportunity, during the thirty-day period beginning on the date of such notification, to object to the approval of the application on the grounds that the application is inconsistent with its housing assistance plan.

(2) If the unit of general local government objects to the application on the grounds that it is inconsistent with its housing assistance plan, the Secretary may not approve the application unless he determines that the application is consistent with such housing assistance plan. If the Secretary determines that such application is consistent with the housing assistance plan, he shall notify the chief executive officer of the unit of general local government of his determination and the reasons therefor in writing. If the Secretary concurs with the objection of the unit of local government, he shall notify the applicant stating the reasons therefor in writing.

(3) If the Secretary does not receive an objection by the close of the period referred to in paragraph (1)(B), he may approve the application unless he finds it inconsistent with the housing assistance plan. If the Secretary determines that an application is inconsistent with a housing assistance plan, he shall notify the applicant stating the reasons therefor in writing.

(4) The Secretary shall make the determinations referred to in paragraphs (2) and (3) within thirty days after he receives an objection pursuant to paragraph (1)(B) or within thirty days after the close of the period referred to in paragraph (1)(B), whichever is earlier.

(5) As used in this section, the term "housing assistance plan" means a housing assistance plan submitted and approved under section 104 of this Act or, in the case of a unit of general local government not

participating under title I of this Act, a housing plan approved by the Secretary as meeting the requirements of this section.

(b) The provisions of subsection (a) shall not apply to—

(1) applications for assistance involving 12 or fewer units in a single project or development;

(2) applications for assistance with respect to housing in new community developments approved under title IV of the Housing and Urban Development Act of 1968 or title VII of the Housing and Urban Development Act of 1970 which the Secretary determines are necessary to meet the housing requirements under such title; or

(3) applications for assistance with respect to housing financed by loans or loan guarantees from a State or agency thereof, except that the provisions of subsection (a) shall apply where the unit of general local government in which the assistance is to be provided objects in its housing assistance plan to the exemption provided by this paragraph.

(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted. The Secretary shall afford the unit of general local government in which the assistance is to be provided an opportunity, during a 30-day period following receipt of an application by him, to provide comments or information relevant to the determination required to be made by the Secretary under this subsection.

(d) (1) In allocating financial assistance under the provisions of law specified in subsection (a) of this section, the Secretary, so far as practicable, shall consider the relative needs of different areas and communities as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, or other objectively measurable conditions, subject to such adjustments as may be necessary to assist in carrying out activities designed to meet lower income housing needs as described in approved housing assistance plans submitted by units of general local government or combinations of such units assisted under section 107(a)(2) of this Act.<sup>1</sup> The Secretary shall assure, to the maximum extent practicable in carrying out the national housing and community development objectives, that funds available for each housing assistance program referred to in subsection (a) shall be allocated or reserved in accordance with goals described in local, State, or other housing assistance plans approved by the Secretary pursuant to section 104, and shall be utilized to meet needs reflected in data referred to in the preceding sentence.<sup>1</sup> The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 25 per centum of the total amount of such assistance.

(2) In order to facilitate the provision of, and long-range planning for, housing for persons of low- and moderate-income in new community developments approved under title IV of the Housing and Urban Development Act of 1968 and title VII of the Housing and Urban

<sup>1</sup> This sentence added by Housing and Community Development Act of 1977, Public Law 95-128, approved Oct. 12, 1977.

Development Act of 1970, the Secretary shall reserve such housing assistance funds as he deems necessary for use in connection with such new community developments.

(3) The Secretary may reserve such housing assistance funds as he deems appropriate for use by a State or agency thereof.

#### LIMITATION ON WITHHOLDING OR CONDITIONING OF ASSISTANCE

SEC. 817. Assistance provided for in this Act, the National Housing Act, the United States Housing Act of 1937, the Housing Act of 1949, the Demonstration Cities and Metropolitan Development Act of 1966, and the Housing and Urban Development Acts of 1965, 1968, 1969, and 1970 shall not be withheld or made subject to conditions or preference by reason of the tax-exempt status of bonds or other obligations issued or to be issued to provide financing for use in connection with such assistance, except where otherwise expressly provided or authorized by law.

\* \* \* \* \*

#### MORTGAGE PROCEEDS FRAUDULENTLY MISAPPROPRIATED BY MORTGAGOR

SEC. 819. The Secretary of Housing and Urban Development shall take action to secure the payment of any deficiency after foreclosure on a mortgage insured or assisted under Federal law where the Secretary has reason to believe that mortgage proceeds have been fraudulently misappropriated by the mortgagor.

Approved August 22, 1974.

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### FRAUD AND FALSE STATEMENTS

[18 U.S.C. § 1001]

#### STATEMENTS OR ENTRIES GENERALLY

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

\* \* \* \* \*

[18 U.S.C. § 1010]

#### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND FEDERAL HOUSING ADMINISTRATION TRANSACTIONS

Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall be offered to or accepted by the Department of Housing and Urban Development for insurance, or for the purpose of obtaining any extension or renewal of any loan,



advance of credit, or mortgage insured by such Department, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of such Department, makes, passes, utters, or publishes any statement, knowing the same to be false, or alters, forges, or counterfeits any instrument, paper, or document, or utters, publishes, or passes as true any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or willfully overvalues any security, asset, or income, shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

## EXCERPT FROM THE YOUTH EMPLOYMENT AND DEMONSTRATION PROJECTS ACT OF 1977

[Public Law 95-93, 95th Congress]

\* \* \* \* \*

### "SECRETARY'S DISCRETIONARY PROJECTS

"SEC. 348. (a) (1) The Secretary of Labor is authorized, either directly or by way of contract or other arrangement, with prime sponsors, public agencies and private organizations to carry out innovative and experimental programs to test new approaches for dealing with the unemployment problems of youth and to enable eligible participants to prepare for, enhance their prospects for, or secure employment in occupations through which they may reasonably be expected to advance to productive working lives. Such programs shall include, where appropriate, cooperative arrangements with educational agencies to provide special programs and service for eligible participants enrolled in secondary schools, postsecondary educational institutions and technical and trade schools, including job experience, counseling and guidance prior to the completion of secondary or postsecondary education and making available occupational, educational, and training information through statewide career information systems.

"(2) In carrying out or supporting such programs, the Secretary of Labor shall consult, as appropriate, with the Secretary of Commerce, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, the Secretary of Agriculture, the Director of the ACTION Agency, and the Director of the Community Services Administration.

"(3) Funds available under this section may be transferred to other Federal departments and agencies to carry out functions delegated to them pursuant to agreements with the Secretary.

"(b) The Secretary and prime sponsors, as the case may be, shall give special consideration in carrying out innovative and experimental programs assisted under this section to community-based organizations which have demonstrated effectiveness in the delivery of employment and training services, such as the Opportunities Industrialization Centers, the National Urban League, SER-Jobs for Progress, Mainstream, Community Action Agencies, union-related organizations, employer-related nonprofit organizations, and other similar organizations.



“(c) (1) In carrying out its responsibilities under this subsection and under section 161 of the Vocational Education Act, the National Occupational Information Coordinating Committee shall give special attention to the problems of unemployed youths. The Committee shall also carry out other activities consistent with the purposes of this title, including but not limited to the following:

“(A) assisting and encouraging local areas to adopt methods of translating national aggregate occupational outlook data into local terms;

“(B) Assisting and encouraging the development of State occupational information systems, to be used in the maintenance of local job banks and job vacancy reports, accessible to local schools, and including pilot programs in the use of computers to facilitate such access;

“(C) in cooperation with State and local correctional agencies, encouraging programs of counseling and employment services for youth in correctional institutions;

“(D) providing technical assistance for programs of computer on-line terminals and other facilities to utilize and implement occupational and career outlook information and projections supplied by State employment service offices and to improve the match of youth career desires with available and anticipated labor demand;

“(E) in cooperation with State and local educational agencies, and other appropriate persons and organizations, encouraging programs to make available employment and career counseling to presecondary youths; and

“(F) providing technical assistance for programs designed to encourage public and private employers to list all available job opportunities for youths with the appropriate eligible applicant conducting occupational information and career counseling programs, local public employment services offices and to encourage cooperation and contact among such eligible applicants, employers and offices.

“(2) All funds available to the National Occupational Information Coordinating Committee under this Act and under section 161 of the Vocational Education Act may be used by the Committee to carry out any of its functions and responsibilities authorized by law.

\* \* \* \* \*

Approved August 5, 1977.

## EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476; 12 U.S.C. 1701u et seq.]

### EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3.<sup>1</sup> In the administration by the Secretary of Housing and

<sup>1</sup> Immediately prior to amendment by sec. 404, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 395, the employment and work opportunities requirements of this section 3 were limited to the administration of the section 235 homeownership program, the section 236 rental assistance program, the section 221(d)(3) below-market-interest-rate program, public housing, and the rent supplement program. This amendment also deleted from the heading of section 3 the words “JOBS IN HOUSING”.

Urban Development of programs providing direct financial assistance, including community development block grants under title I of the Housing and Community Development Act of 1974,<sup>2</sup> in aid of housing, urban planning, development, redevelopment, or renewal, public or community facilities, and new community development, the Secretary shall—

(1) require, in consultation with the Secretary of Labor, that to the greatest extent feasible opportunities for training and employment arising in connection with the planning and carrying out of any project assisted under any such program be given to lower income persons residing in the area of such project; and

(2) require, in consultation with the Administrator of the Small Business Administration, that to the greatest extent feasible contracts for work to be performed in connection with any such project be awarded to business concerns, including but not limited to individuals or firms doing business in the field of planning, consulting, design, architecture, building construction, rehabilitation, maintenance, or repair, which are located in or owned in substantial part by persons residing in the area of such project.

#### IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only to make the housing more attractive, but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

<sup>2</sup> Sec. 118 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended this section.

## EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476, 12 U.S.C. 1701u]

## TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

## PART A—PRIVATE HOUSING

## RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section: <sup>1</sup>

\* \* \* \* \*

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided*, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

\* \* \* \* \*

Approved August 1, 1968.

## EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1969

[Public Law 91-152, 83 Stat. 400; 40 U.S.C. 484b]

## SALE OF LAND FOR HOUSING

SEC. 414. (a) <sup>2</sup> Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any Federal surplus real property within the meaning of such Act may, in the discretion of the

<sup>1</sup> See sec. 236, National Housing Act.

<sup>2</sup> Sec. 919, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1816, amended section 414 to authorize the Administrator of General Services to dispose of Federal surplus land to the Secretary of HUD for the construction of low- and moderate-income sales housing and related public commercial and industrial facilities. Immediately prior to this amendment the authorization for such disposal was limited to low- and moderate-income rental or cooperative housing. Amended further by Sec. 317(a), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.



Administrator of General Services, be transferred to the Secretary of Housing and Urban Development at the Secretary's request for sale or lease by the Secretary at its fair value for use in the provision of housing to be occupied predominantly by families or individuals of low and moderate income, assisted under a Federal housing assistance program administered by the Secretary or under a State or local program found by the Secretary to have the same general purpose, and for related public commercial or industrial facilities approved by the Secretary. Prior to any disposition of Federal surplus real property to an entity other than a public body, the Secretary shall notify the governing body of the locality where such property is located of the proposed disposition and no such disposition shall be made if the local governing body, within ninety days of such notification, formally advises the Secretary that it objects to the proposed disposition, unless the Secretary determines (1) that the proposed disposition would be consistent with any approved housing assistance and community development plans developed by such body pursuant to the Housing and Community Development Act of 1974, or (2) in cases where such plans are not available, that there is a need for low- and moderate-income housing taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve any housing proposed in conjunction with the proposed disposition. If the United States paid valuable consideration for any such land the Secretary shall not sell it for less than its cost to the United States at the time of acquisition. In addition, if such land contains improvements constructed by the Federal Government which have potential use in the provision of housing for low- or moderate-income families or individuals, the improvements shall be separately appraised for such use and the price for which such land is sold shall include an amount which is not less than the value of such improvements as so appraised.

(b)<sup>1</sup> As a condition of any disposition by the Secretary of Federal surplus real property under this section to an entity other than a public body, the Secretary shall obtain such undertakings as the Secretary may consider appropriate to assure that the property will be used, to the maximum practicable extent, in the provision of housing and related facilities to be occupied by families or individuals of low and moderate income for a period of not less than thirty years. If during such period the property is used for any purpose other than the purpose for which it was disposed of, it shall revert to the United States (or, in the case of leased property, the lease shall terminate) unless the Secretary and the Administrator, after the expiration of the first twenty years of such period, have approved the use of the property for such other purposes.

Approved December 24, 1969.

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<sup>1</sup> Amended by Sec. 317(b), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.



# CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

[Public Law 93-344, 88 Stat. 297, 31 U.S.C. 1301]

AN ACT To establish a new congressional budget process; to establish Committees on the Budget in each House; to establish a Congressional Budget Office; to establish a procedure providing congressional control over the impoundment of funds by the executive branch; and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## SHORT TITLES; TABLE OF CONTENTS

SECTION 1. (a) SHORT TITLES.—This Act may be cited as the “Congressional Budget and Impoundment Control Act of 1974”. Titles I through IX may be cited as the “Congressional Budget Act of 1974”, and title X may be cited as the “Impoundment Control Act of 1974”.

(b) TABLE OF CONTENTS.—

- Sec. 1. Short titles; table of contents.
- Sec. 2. Declaration of purposes.
- Sec. 3. Definitions.

## TITLE I—ESTABLISHMENT OF HOUSE AND SENATE BUDGET COMMITTEES

- Sec. 101. Budget Committee of the House of Representatives.
- Sec. 102. Budget Committee of the Senate.

## TITLE II—CONGRESSIONAL BUDGET OFFICE

- Sec. 201. Establishment of Office.
- Sec. 202. Duties and functions.
- Sec. 203. Public access to budget data.

## TITLE III—CONGRESSIONAL BUDGET PROCESS

- Sec. 300. Timetable.
- Sec. 301. Adoption of first concurrent resolution.
- Sec. 302. Matters to be included in joint statement of managers; reports by committees.
- Sec. 303. First concurrent resolution on the budget must be adopted before legislation providing new budget authority, new spending authority, or changes in revenues or public debt limit is considered.
- Sec. 304. Permissible revisions of concurrent resolutions on the budget.
- Sec. 305. Provisions relating to the consideration of concurrent resolutions on the budget.
- Sec. 306. Legislation dealing with congressional budget must be handled by budget committees.
- Sec. 307. House committee action on all appropriation bills to be completed before first appropriation bill is reported.

- Sec. 308. Reports, summaries, and projections of congressional budget actions.
- Sec. 309. Completion of action on bills providing new budget authority and certain new spending authority.
- Sec. 310. Second required concurrent resolution and reconciliation process.
- Sec. 311. New budget authority, new spending authority, and revenue legislation must be within appropriate levels.

#### TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

- Sec. 401. Bills providing new spending authority.
- Sec. 402. Reporting of authorizing legislation.
- Sec. 403. Analyses by Congressional Budget Office.
- Sec. 404. Jurisdiction of Appropriations Committees.

#### TITLE V—CHANGE OF FISCAL YEAR

- Sec. 501. Fiscal year to begin October 1.
- Sec. 502. Transition to new fiscal year.
- Sec. 503. Accounting procedures.
- Sec. 504. Conversion of authorizations of appropriations.
- Sec. 505. Repeals.
- Sec. 506. Technical amendment.

#### TITLE VI—AMENDMENTS TO BUDGET AND ACCOUNTING ACT, 1921

- Sec. 601. Matters to be included in President's budget.
- Sec. 602. Midyear review.
- Sec. 603. Five-year budget projections.
- Sec. 604. Allowances for supplemental budget authority and uncontrollable outlays.
- Sec. 605. Budget data based on continuation of existing level of services.
- Sec. 606. Study of off-budget agencies.
- Sec. 607. Year-ahead requests for authorization of new budget authority.

#### TITLE VII—PROGRAM REVIEW AND EVALUATION

- Sec. 701. Review and evaluation by standing committee.
- Sec. 702. Review and evaluation by the Comptroller General.
- Sec. 703. Continuing study of additional budget reform proposals.

#### TITLE VIII—FISCAL AND BUDGETARY INFORMATION AND CONTROLS

- Sec. 801. Amendment to Legislative Reorganization Act of 1970.
- Sec. 802. Changes in functional categories.

#### TITLE IX—MISCELLANEOUS PROVISIONS; EFFECTIVE DATES

- Sec. 901. Amendments to rules of the House.
- Sec. 902. Conforming amendments to standing rules of the Senate.
- Sec. 903. Amendments to Legislative Reorganization Act of 1946.
- Sec. 904. Exercise of rulemaking powers.
- Sec. 905. Effective dates.
- Sec. 906. Application of congressional budget process to fiscal year 1976.

#### TITLE X—IMPOUNDMENT CONTROL

##### PART A—GENERAL PROVISIONS

- Sec. 1001. Disclaimer.
- Sec. 1002. Amendment to Antideficiency Act.
- Sec. 1003. Repeal of existing impoundment reporting provision.

PART B—CONGRESSIONAL CONSIDERATION OF PROPOSED RESCISSIONS,  
RESERVATIONS, AND DEFERRALS OF BUDGET AUTHORITY

- Sec. 1011. Definitions.
- Sec. 1012. Rescission of budget authority.
- Sec. 1013. Disapproval of proposed deferrals of budget authority.
- Sec. 1014. Transmission of messages; publication.
- Sec. 1015. Reports of Comptroller General.
- Sec. 1016. Suits by Comptroller General.
- Sec. 1017. Procedure in House and Senate.

DECLARATION OF PURPOSES

SEC. 2. The Congress declares that it is essential—

- (1) to assure effective congressional control over the budgetary process;
- (2) to provide for the congressional determination each year of the appropriate level of Federal revenues and expenditures;
- (3) to provide a system of impoundment control;
- (4) to establish national budget priorities; and
- (5) to provide for the furnishing of information by the executive branch in a manner that will assist the Congress in discharging its duties.

DEFINITIONS

SEC. 3.<sup>1</sup>—IN GENERAL.—For purposes of this Act—

(1) The terms “budget outlays” and “outlays” mean, with respect to any fiscal year, expenditures and net lending of funds under budget authority during such year.

(2) The term “budget authority” means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(3) The term “tax expenditures” means those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability; and the term “tax expenditures budget” means an enumeration of such tax expenditures.

(4) The term “concurrent resolution on the budget” means—

(A) a concurrent resolution setting forth the congressional budget for the United States Government for a fiscal year as provided in section 301;

(B) a concurrent resolution reaffirming or revising the congressional budget for the United States Government for a fiscal year as provided in section 310; and

(C) any other concurrent resolution revising the congressional budget for the United States Government for a fiscal year as described in section 304.

(5) The term “appropriation Act” means an Act referred to in section 105 of title 1, United States Code.

<sup>1</sup> The Atomic Energy Act of 1954, Amendment, Public Law 95-110, approved September 20, 1977, amended section 3, by striking subsection designation “(a)” and deleting subsection “(b)”.

## TITLE I—ESTABLISHMENT OF HOUSE AND SENATE BUDGET COMMITTEES

### BUDGET COMMITTEE OF THE HOUSE OF REPRESENTATIVES

SEC. 101. (a) Clause 1 of Rule X of the Rules of the House of Representatives is amended by redesignating paragraphs (e) through (u) as paragraphs (f) through (v), respectively, and by inserting after paragraph (d) the following new paragraph:

“(c) Committee on the Budget, to consist of twenty-three Members as follows:

“(1) five Members who are members of the Committee on Appropriations;

“(2) five Members who are members of the Committee on Ways and Means;

“(3) eleven Members who are members of other standing committees;

“(4) one Member from the leadership of the majority party; and

“(5) one Member from the leadership of the minority party.

No Member shall serve as a member of the Committee on the Budget during more than two Congresses in any period of five successive Congresses beginning after 1974 (disregarding for this purpose any service performed as a member of such committee for less than a full session in any Congress). All selections of Members to serve on the committee shall be made without regard to seniority.”

(b) Rule X of the Rules of the House of Representatives is amended by adding at the end thereof the following new clause:

“6. For carrying out the purposes set forth in clause 5 of Rule XI, the Committee on the Budget or any subcommittee thereof is authorized to sit and act at such times and places within the United States, whether the House is in session, has recessed, or has adjourned, to hold such hearings, to require the attendance of such witnesses and the production of such books or papers or documents or vouchers by subpoena or otherwise, and to take such testimony and records, as it deems necessary. Subpenas may be issued over the signature of the chairman of the committee or of any member of the committee designated by him; and may be served by any person designated by such chairman or member. The chairman of the committee, or any member thereof, may administer oaths to witnesses.”

(c) Rule XI of the Rules of the House of Representatives is amended by redesignating clauses 5 through 33 as clauses 6 through 34, respectively, and by inserting after clause 4 the following new clause:

“5. Committee on the Budget

“(a) All concurrent resolutions on the budget (as defined in section 3(a)(4) of the Congressional Budget Act of 1974) and other matters required to be referred to the committee under titles III and IV of that Act.

“(b) The committee shall have the duty—

“(1) to report the matters required to be reported by it under titles III and IV of the Congressional Budget Act of 1974;

“(2) to make continuing studies of the effect on budget outlays of relevant existing and proposed legislation and to report the results of such studies to the House on a recurring basis;



“(3) to request and evaluate continuing studies of tax expenditures, to devise methods of coordinating tax expenditures, policies, and programs with direct budget outlays, and to report the results of such studies to the House on a recurring basis; and

“(4) to review, on a continuing basis, the conduct by the Congressional Budget Office of its functions and duties.”

## BUDGET COMMITTEE OF THE SENATE

SEC. 102. (a) Paragraph 1 of rule XXV of the Standing Rules of the Senate is amended by adding at the end thereof the following new subparagraph:

“(r) (1) Committee on the Budget, to which committee shall be referred all concurrent resolutions on the budget (as defined in section 3(a) (4) of the Congressional Budget Act of 1974) and all other matters required to be referred to that committee under titles III and IV of that Act, and messages, petitions, memorials, and other matters relating thereto.

“(2) Such committee shall have the duty—

“(A) to report the matters required to be reported by it under titles III and IV of the Congressional Budget Act of 1974;

“(B) to make continuing studies of the effect on budget outlays of relevant existing and proposed legislation and to report the results of such studies to the Senate on a recurring basis;

“(C) to request and evaluate continuing studies of tax expenditures, to devise methods of coordinating tax expenditures, policies, and programs with direct budget outlays, and to report the results of such studies to the Senate on a recurring basis; and

“(D) to review, on a continuing basis, the conduct by the Congressional Budget Office of its functions and duties.”

(b) The table contained in paragraph 2 of rule XXV of the Standing Rules of the Senate is amended by inserting after—

“Banking, Housing and Urban Affairs..... 15”

The following:

“Budget ..... 15”.

(c) Paragraph 6 of rule XXV of the Standing Rules of the Senate is amended by adding at the end thereof the following new subparagraph:

“(h) For purposes of the first sentence of subparagraph (a), membership on the Committee on the Budget shall not be taken into account until that date occurring during the first session of the Ninety-fifth Congress, upon which the appointment of the majority and minority party members of the standing committees of the Senate is initially completed.”

(d) Each meeting of the Committee on the Budget of the Senate, or any subcommittee thereof, including meetings to conduct hearings, shall be open to the public, except that a portion or portions of any such meeting may be closed to the public if the committee or subcommittee, as the case may be, determines by record vote of a majority of the members of the committee or subcommittee present that the matters to be discussed or the testimony to be taken at such portion or portions—

(1) will disclose matters necessary to be kept secret in the interests of national defense or the confidential conduct of the foreign relations of the United States;

(2) will relate solely to matters of committee staff personnel or internal staff management or procedure;

(3) will tend to charge an individual with crime or misconduct, to disgrace or injure the professional standing of an individual, or otherwise to expose an individual to public contempt or obloquy, or will represent a clearly unwarranted invasion of the privacy of an individual;

(4) will disclose the identity of any informer or law enforcement agent or will disclose any information relating to the investigation or prosecution of a criminal offense that is required to be kept secret in the interests of effective law enforcement; or

(5) will disclose information relating to the trade secrets or financial or commercial information pertaining specifically to a given person if—

(A) an Act of Congress requires the information to be kept confidential by Government officers and employees; or

(B) the information has been obtained by the Government on a confidential basis, other than through an application by such person for a specific Government financial or other benefit, and is required to be kept secret in order to prevent undue injury to the competitive position of such person.

(e) Paragraph 7(b) of rule XXV of the Standing Rules of the Senate and section 133A(b) of the Legislative Reorganization Act of 1946 shall not apply to the Committee on the Budget of the Senate.

## TITLE II—CONGRESSIONAL BUDGET OFFICE

### ESTABLISHMENT OF OFFICE

#### SEC. 201. (a) IN GENERAL.—

(1) There is established an office of the Congress to be known as the Congressional Budget Office (hereinafter in this title referred to as the "Office"). The Office shall be headed by a Director; and there shall be a Deputy Director who shall perform such duties as may be assigned to him by the Director and, during the absence or incapacity of the Director or during a vacancy in that office, shall act as Director.

(2) The Director shall be appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations received from the Committees on the Budget of the House and the Senate, without regard to political affiliation and solely on the basis of his fitness to perform his duties. The Deputy Director shall be appointed by the Director.

(3) The term of office of the Director first appointed shall expire at noon on January 3, 1979, and the terms of office of Directors subsequently appointed shall expire at noon on January 3 of each fourth year thereafter. Any individual appointed as Director to fill a vacancy prior to the expiration of a term shall serve

only for the unexpired portion of that term. An individual serving as Director at the expiration of a term may continue to serve until his successor is appointed. Any Deputy Director shall serve until the expiration of the term of office of the Director who appointed him (and until his successor is appointed), unless sooner removed by the Director.

(4) The Director may be removed by either House by resolution.

(5) The Director shall receive compensation at a per annum gross rate equal to the rate of basic pay, as in effect from time to time, for level III of the Executive Schedule in section 5314 of title 5, United States Code. The Deputy Director shall receive compensation at a per annum gross rate equal to the rate of basic pay, as so in effect, for level IV of the Executive Schedule in section 5315 of such title.

(b) **PERSONNEL.**—The Director shall appoint and fix the compensation of such personnel as may be necessary to carry out the duties and functions of the Office. All personnel of the Office shall be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties. The Director may prescribe the duties and responsibilities of the personnel of the Office, and delegate to them authority to perform any of the duties, powers, and functions imposed on the Office or on the Director. For purposes of pay (other than pay of the Director and Deputy Director) and employment benefits, rights, and privileges, all personnel of the Office shall be treated as if they were employees of the House of Representatives.

(c) **EXPERTS AND CONSULTANTS.**—In carrying out the duties and functions of the Office, the Director may procure the temporary (not to exceed one year) or intermittent services of experts or consultants or organizations thereof by contract as independent contractors, or, in the case of individual experts or consultants, by employment at rates of pay not in excess of the daily equivalent of the highest rate of basic pay payable under the General Schedule of section 5332 of title 5, United States Code.

(d) **RELATIONSHIP TO EXECUTIVE BRANCH.**—The Director is authorized to secure information, data, estimates, and statistics directly from the various departments, agencies, and establishments of the executive branch of Government and the regulatory agencies and commissions of the Government. All such departments, agencies, establishments, and regulatory agencies and commissions shall furnish the Director any available material which he determines to be necessary in the performance of his duties and functions (other than material the disclosure of which would be a violation of law). The Director is also authorized, upon agreement with the head of any such department, agency, establishment, or regulatory agency or commission, to utilize its services, facilities, and personnel with or without reimbursement; and the head of each such department, agency, establishment, or regulatory agency or commission is authorized to provide the Office such services, facilities, and personnel.

(e) **RELATIONSHIP TO OTHER AGENCIES OF CONGRESS.**—In carrying out the duties and functions of the Office, and for the purpose of coordinating the operations of the Office with those of other congressional



agencies with a view to utilizing most effectively the information, services, and capabilities of all such agencies in carrying out the various responsibilities assigned to each, the Director is authorized to obtain information, data, estimates, and statistics developed by the General Accounting Office, the Library of Congress, and the Office of Technology Assessment, and (upon agreement with them) to utilize their services, facilities, and personnel with or without reimbursement. The Comptroller General, the Librarian of Congress, and the Technology Assessment Board are authorized to provide the Office with the information, data, estimates, and statistics, and the services, facilities, and personnel, referred to in the preceding sentence.

(f) APPROPRIATIONS.—There are authorized to be appropriated to the Office for each fiscal year such sums as may be necessary to enable it to carry out its duties and functions. Until sums are first appropriated pursuant to the preceding sentence, but for a period not exceeding 12 months following the effective date of this subsection, the expenses of the Office shall be paid from the contingent fund of the Senate, in accordance with the paragraph relating to the contingent fund of the Senate under the heading “UNDER LEGISLATIVE” in the Act of October 1, 1888 (28 Stat. 546; 2 U.S.C. 68), and upon vouchers approved by the Director.

#### DUTIES AND FUNCTIONS

SEC. 202. (a) ASSISTANCE TO BUDGET COMMITTEES.—It shall be the duty and function of the Office to provide to the Committees on the Budget of both Houses information which will assist such committees in the discharge of all matters within their jurisdictions, including (1) information with respect to the budget, appropriation bills, and other bills authorizing or providing budget authority or tax expenditures, (2) information with respect to revenues, receipts, estimated future revenues and receipts, and changing revenue conditions, and (3) such related information as such Committees may request.

(b) ASSISTANCE TO COMMITTEES ON APPROPRIATIONS, WAYS AND MEANS, AND FINANCE.—At the request of the Committee on Appropriations of either House, the Committee on Ways and Means of the House of Representatives, or the Committee on Finance of the Senate, the Office shall provide to such Committee any information which will assist it in the discharge of matters within its jurisdiction, including information described in clauses (1) and (2) of subsection (a) and such related information as the Committee may request.

(c) ASSISTANCE TO OTHER COMMITTEES AND MEMBERS.—

(1) At the request of any other committee of the House of Representatives or the Senate or any joint committee of the Congress, the Office shall provide to such committee or joint committee any information compiled in carrying out clauses (1) and (2) of subsection (a), and, to the extent practicable, such additional information related to the foregoing as may be requested.

(2) At the request of any Member of the House or Senate, the Office shall provide to such Member any information compiled in carrying out clauses (1) and (2) of subsection (a), and, to the extent available, such additional information related to the foregoing as may be requested.



(d) **ASSIGNMENT OF OFFICE PERSONNEL TO COMMITTEES AND JOINT COMMITTEES.**—At the request of the Committee on the Budget of either House, personnel of the Office shall be assigned, on a temporary basis, to assist such committee. At the request of any other committee of either House or any joint committee of the Congress, personnel of the Office may be assigned, on a temporary basis, to assist such committee or joint committee with respect to matters directly related to the applicable provisions of subsection (b) or (c).

(e) **TRANSFER OF FUNCTIONS OF JOINT COMMITTEE ON REDUCTION OF FEDERAL EXPENDITURES.**—

(1) The duties, functions, and personnel of the Joint Committee on Reduction of Federal Expenditures are transferred to the Office, and the Joint Committee is abolished.

(2) Section 601 of the Revenue Act of 1941 (55 Stat. 726) is repealed.

(f) **REPORTS TO BUDGET COMMITTEES.**—

(1) On or before April 1 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate a report, for the fiscal year commencing on October 1 of that year, with respect to fiscal policy, including (A) alternative levels of total revenues, total new budget authority, and total outlays (including related surpluses and deficits), and (B) the levels of tax expenditures under existing law, taking into account projected economic factors and any changes in such levels based on proposals in the budget submitted by the President for such fiscal year. Such report shall also include a discussion of national budget priorities, including alternative ways of allocating budget authority and budget outlays for such fiscal year among major programs or functional categories, taking into account how such alternative allocations will meet major national needs and affect balanced growth and development of the United States.

(2) The Director shall from time to time submit to the Committees on the Budget of the House of Representatives and the Senate such further reports (including reports revising the report required by paragraph (1)) as may be necessary or appropriate to provide such Committees with information, data, and analyses for the performance of their duties and functions.

(g) **USE OF COMPUTERS AND OTHER TECHNIQUES.**—The Director may equip the Office with up-to-date computer capability (upon approval of the Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate), obtain the services of experts and consultants in computer technology, and develop techniques for the evaluation of budgetary requirements.

#### PUBLIC ACCESS TO BUDGET DATA

**SEC. 203. (a) RIGHT TO COPY.**—Except as provided in subsections (c) and (d), the Director shall make all information, data, estimates, and statistics obtained under sections 201(d) and 201(e) available for public copying during normal business hours, subject to reasonable rules and regulations, and shall to the extent practicable, at the request of any person, furnish a copy of any such information, data, estimates, or statistics upon payment by such person of the cost of making and furnishing such copy.

(b) **INDEX.**—The Director shall develop and maintain filing, coding, and indexing systems that identify the information, data, estimates, and statistics to which subsection (a) applies and shall make such systems available for public use during normal business hours.

(c) **EXCEPTIONS.**—Subsection (a) shall not apply to information, data, estimates, and statistics—

- (1) which are specifically exempted from disclosure by law; or
- (2) which the Director determines will disclose—

(A) matters necessary to be kept secret in the interests of national defense or the confidential conduct of the foreign relations of the United States;

(B) information relating to trade secrets or financial or commercial information pertaining specifically to a given person if the information has been obtained by the Government on a confidential basis, other than through an application by such person for a specific financial or other benefit, and is required to be kept secret in order to prevent undue injury to the competitive position of such person; or

(C) personnel or medical data or similar data the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;

unless the portions containing such matters, information, or data have been excised.

(d) **INFORMATION OBTAINED FOR COMMITTEES AND MEMBERS.**—Subsection (a) shall apply to any information, data, estimates, and statistics obtained at the request of any committee, joint committee, or Member unless such committee, joint committee, or Member has instructed the Director not to make such information, data, estimates, or statistics available for public copying.

## TITLE III—CONGRESSIONAL BUDGET PROCESS

### TIMETABLE

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
November 10.....	President submits current services budget.
15th day after Congress meets.....	President submits his budget.
March 15.....	Committees and joint committees submit reports to Budget Committees.
April 1.....	Congressional Budget Office submits report to Budget Committees.
April 15.....	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15.....	Committees report bills and resolutions authorizing new budget authority.
May 15.....	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day.....	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15.....	Congress completes action on second required concurrent resolution on the budget.
September 25.....	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1.....	Fiscal year begins.

## ADOPTION OF THE FIRST CONCURRENT RESOLUTION

SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

(1) the appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses—

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays



resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions.

(d) **HEARINGS AND REPORT.**—In developing the first concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. On or before April 15 of each year, the Committee on the Budget of each House shall report to its House the first concurrent resolution on the budget referred to in subsection (a) for the fiscal year beginning on October 1 of such year. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, as set forth in such concurrent resolution, with total budget outlays estimated and total new budget authority requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and alternative economic assumptions and objectives which the committee considered;

(6) projections, not limited to the following, for the period of five fiscal years beginning with such fiscal year of the estimated levels of total budget outlays, total new budget outlays, total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;



- (7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments; and
- (8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution, and the relationship of such matters to other budget categories.

MATTERS TO BE INCLUDED IN JOINT STATEMENT OF MANAGERS;  
REPORTS BY COMMITTEES

SEC. 302. (a) ALLOCATION OF TOTALS.—The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays and total new budget authority among each committee of the House of Representatives and the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

(b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays and new budget authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

(c) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304 or 310, the allocation under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

FIRST CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE  
LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING  
AUTHORITY, OR CHANGES IN REVENUES OR PUBLIC DEBT LIMIT IS CON-  
SIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) which provides—

- (1) new budget authority for a fiscal year;
- (2) an increase or decrease in revenues to become effective during a fiscal year;
- (3) an increase or decrease in the public debt limit to become effective during a fiscal year; or
- (4) new spending authority described in section 401(c)(2)(C) to become effective during a fiscal year;

until the first concurrent resolution on the budget for such year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution to which subsection (a) applies may at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to the bill or resolution to which the resolution so agreed to applies.

## PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS OF THE BUDGET

SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

## PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House has reported any concurrent resolution on the budget, it is in order at any time after the tenth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution has been available to Members of the House (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be read for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(4) Debate in the House of Representatives on the conference report or any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.



(5) Motions to postpone, made with respect to the consideration of any concurrent resolution on the budget, and motions to proceed to the consideration of other business, shall be decided without debate.

(6) Appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(4) Notwithstanding any other rule, an amendment, or series of amendments, to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third



day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(d) **REQUIRED ACTION BY CONFERENCE COMMITTEE.**—If, at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) **CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.**—It shall not be in order in the Senate to vote on the question of agreeing to—

- (1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or
- (2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

**LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED  
BY BUDGET COMMITTEES**

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

**HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED  
BEFORE FIRST APPROPRIATION BILL IS REPORTED**

SEC. 307. Prior to reporting the first regular appropriation bill for each fiscal year, the Committee on Appropriations of the House of Representatives shall, to the extent practicable, complete subcommittee markup and full committee action on all regular appropriation bills for that year and submit to the House a summary report comparing the committee's recommendations with the appropriate levels of budget outlays and new budget authority as set forth in the most recently agreed to concurrent resolution on the budget for that year.

**REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET  
ACTIONS**

SEC. 308. (a) **REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR TAX EXPENDITURES.**—Whenever a committee of either House reports a bill or resolution to its House providing new budget authority (other than continuing appropriations) or new or increased tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, prepared after consultation with the Director of the Congressional Budget Office, detailing—

(1) in the case of a bill or resolution providing new budget authority—

(A) how the new budget authority provided in that bill or resolution compares with the new budget authority set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of budget outlays, associated with the budget authority provided in that bill or resolution, in each fiscal year in such period; and

(C) the new budget authority, and budget outlays resulting therefrom, provided by that bill or resolution for financial assistance to State and local governments; and

(2) in the case of a bill or resolution providing new or increased tax expenditures—

(A) how the new or increased tax expenditures provided in that bill or resolution will affect the levels of tax expenditures under existing law as set forth in the report accompanying the first concurrent resolution on the budget for such fiscal year, or, if a report accompanying a subsequently agreed to concurrent resolution for such year sets forth such levels, then as set forth in that report; and

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of the tax expenditures which will result from that bill or resolution in each fiscal year in such period.

No projection shall be required for a fiscal year under paragraph (1) (B) or (2) (B) if the committee determines that a projection for that fiscal year is impracticable and states in its report the reason for such impracticability.

(b) UP-TO-DATE TABULATION OF CONGRESSIONAL BUDGET ACTIONS.—The Director of the Congressional Budget Office shall issue periodic reports detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority and changing revenues and the public debt limit for a fiscal year. Such reports shall include, but are not limited to—

(1) an up-to-date tabulation comparing the new budget authority for such fiscal year in bills and resolutions on which Congress has completed action and estimated outlays, associated with such new budget authority, during such fiscal year to the new budget authority and estimated outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(2) an up-to-date status report on all bills and resolutions providing new budget authority and changing revenues and the public debt limit for such fiscal year in both Houses;

(3) an up-to-date comparison of the appropriate level of revenues contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of revenues for such year (including new revenues anticipated during such year under bills and resolutions on which the Congress has completed action); and

(4) an up-to-date comparison of the appropriate level of the public debt contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of the public debt during such fiscal year.

(c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.—As soon as practicable after the beginning of each fiscal year, the Director of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period; and

(3) tax expenditures for each fiscal year in such period.



## COMPLETION OF ACTION ON BILLS PROVIDING NEW BUDGET AUTHORITY AND CERTAIN NEW SPENDING AUTHORITY

SEC 309. Except as otherwise provided pursuant to this title, not later than the seventh day after Labor Day of each year, the Congress shall complete action on all bills and resolutions—

(1) providing new budget authority for the fiscal year beginning on October 1 of such year, other than supplemental, deficiency, and continuing appropriation bills and resolutions, and other than the reconciliation bill for such year, if required to be reported under section 310(c); and

(2) providing new spending authority described in section 401

(c) (2) (C) which is to become effective during such fiscal year. Paragraph (1) shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.

## SECOND REQUIRED CONCURRENT RESOLUTION AND RECONCILIATION PROCESS

SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; and

(C) new spending authority described in section 401(c) (2)

(C) which is to become effective during such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported.

(b) COMPLETION OF ACTION ON CONCURRENT RESOLUTION.—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).



(c) **RECONCILIATION PROCESS.**—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(d) **COMPLETION OF RECONCILIATION PROCESS.**—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

(e) **PROCEDURE IN THE SENATE.**—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills and reconciliation resolutions reported under subsection (c) and conference reports thereon.

(2) Debate in the Senate on any reconciliation bill or resolution reported under subsection (c), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) **CONGRESS MAY NOT ADJOURN UNTIL ACTION IS COMPLETED.**—It shall not be in order in either the House of Representatives or the Senate to consider any resolution providing for the adjournment sine die of either House unless action has been completed on the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a reconciliation bill or resolution, or both, is required to be reported under subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY AND REVENUE  
LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a) **LEGISLATION SUBJECT TO POINT OF ORDER.**—After the Congress has completed action on the concurrent resolution on the

budget required to be reported under section 310(a) for a fiscal year, and, if a reconciliation bill or resolution, or both, for such fiscal year are required to be reported under section 310(c), after that bill has been enacted into law or that resolution has been agreed to, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing additional new budget authority for such fiscal year, providing new spending authority described in section 401(c) (2) (C) to become effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

- (1) the enactment of such bill or resolution as reported ;
- (2) the adoption and enactment of such amendment ; or
- (3) the enactment of such bill or resolution in the form recommended in such conference report ;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of revenues set forth in such concurrent resolution.

(b) DETERMINATION OF OUTLAYS AND REVENUES.—For purposes of subsection (a), the budget outlays to be made during a fiscal year and revenues to be received during a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

## TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

### BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) LEGISLATION PROVIDING CONTRACT OR BORROWING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c) (2) (A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c) (2) (C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c) (2) (C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allo-

cation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this section, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts; and

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to



amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

#### REPORTING OF AUTHORIZING LEGISLATION

**SEC. 402. (a) REQUIRED REPORTING DATE.**—Except as otherwise provided in this section, it shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new budget authority for a fiscal year, unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year.

(b) **EMERGENCY WAIVER IN THE HOUSE.**—If the Committee on Rules of the House of Representatives determines that emergency conditions require a waiver of subsection (a) with respect to any bill or resolution, such committee may report, and the House may consider and adopt, a resolution waiving the application of subsection (a) in the case of such bill or resolution.

(c) **WAIVER IN THE SENATE.**—

(1) The committee of the Senate which reports any bill or resolution may, at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate, within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.



(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees, and the time on any debatable motion or appeal shall be limited to 20 minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to that bill or resolution referred to in the resolution.

(d) CERTAIN BILLS AND RESOLUTIONS RECEIVED FROM OTHER HOUSE.—Notwithstanding the provisions of subsection (a), if under that subsection it is in order in the House of Representatives to consider a bill or resolution of the House, then it shall be in order to consider a companion or similar bill or resolution of the Senate; and if under that subsection it is in order in the Senate to consider a bill or resolution of the Senate, then it shall be in order to consider a companion or similar bill of the House of Representatives.

(e) EXCEPTIONS.—

(1) Subsection (a) shall not apply with respect to new spending authority described in section 401(c)(2)(C).

(2) Subsection (a) shall not apply with respect to new budget authority authorized in a bill or resolution for any provision of the Social Security Act if such bill or resolution also provides new spending authority described in section 401(c)(2)(C) which, under section 401(d)(1)(A), is excluded from the application of section 401(b).

(f) STUDY OF EXISTING SPENDING AUTHORITY AND PERMANENT APPROPRIATIONS.—The Committees on Appropriations of the House of Representatives and the Senate shall study on a continuing basis those provisions of law, in effect on the effective date of this section, which provide spending authority or permanent budget authority. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

#### ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

SEC. 403. The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following

such fiscal year, together with the basis for each such estimate; and

(2) a comparison of the estimate of costs described in paragraph (1) with any available estimate of costs made by such committee or by any Federal agency.

The estimate and comparison so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

#### JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

“(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

“(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

“(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).”

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

“(c) Committee on Appropriations to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

“1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

“2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

“3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

“4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).”

#### TITLE V—CHANGE OF FISCAL YEAR

##### FISCAL YEAR TO BEGIN OCTOBER 1

SEC. 501. Section 237 of the Revised Statutes (31 U.S.C. 1020) is amended to read as follows:

“SEC. 237. (a) The fiscal year of the Treasury of the United States, in all matters of accounts, receipts, expenditures, estimates, and appropriations—

“(1) shall, through June 30, 1976, commence on July 1 of each year and end on June 30 of the following year; and

“(2) shall, beginning on October 1, 1976, commence on October 1 of each year and end on September 30 of the following year.

“(b) All accounts of receipts and expenditures required by law to be published annually shall be prepared and published for each fiscal year as established by subsection (a).”

#### TRANSITION TO NEW FISCAL YEAR

SEC. 502. (a) As soon as practicable, the President shall prepare and submit to the Congress—

(1) after consultation with the Committees on Appropriations of the House of Representatives and the Senate, budget estimates for the United States Government for the period commencing July 1, 1976, and ending on September 30, 1976, in such form and detail as he may determine; and

(2) proposed legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for that period.

(b) The Director of the Office of Management and Budget shall provide by regulation, order, or otherwise for the orderly transition by all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new fiscal year prescribed by section 237 (a)(2) of the Revised Statutes. The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

(c) The Director of the Office of Management and Budget and the Director of the Congressional Budget Office jointly shall conduct a study of the feasibility and advisability of submitting the Budget or portions thereof, and enacting new budget authority or portions thereof, for a fiscal year during the regular session of the Congress which begins in the year preceding the year in which such fiscal year begins. The Director of the Office of Management and Budget and the Director of the Congressional Budget Office each shall submit a report of the results of the study conducted by them, together with his own conclusions and recommendations, to the Congress not later than 2 years after the effective date of this subsection.

#### ACCOUNTING PROCEDURES

SEC. 503. (a) Subsection (a)(1) of the first section of the Act entitled “An Act to simplify accounting, facilitate the payment of obligations, and for other purposes”, approved July 25, 1956, as amended (31 U.S.C. 701), is amended to read as follows:

“(1) The obligated balance shall be transferred, at the time specified in subsection (b)(1) of this section, to an appropriation account of the agency or subdivision thereof responsible for the liquidation of the obligation, in which account shall be merged the amounts so transferred from all appropriation accounts for the same general purposes; and”.



(b) Subsection (b) of such section is amended to read as follows:

“(b) (1) Any obligated balance referred to in subsection (a) (1) of this section shall be transferred as follows:

“(A) for any fiscal year or years ending on or before June 30, 1976, on that June 30 which falls in the first month of June which occurs twenty-four months after the end of such fiscal year or years; and

“(B) for the period commencing on July 1, 1976, and ending on September 30, 1976, and for any fiscal year commencing on or after October 1, 1976, on September 30 of the second fiscal year following that period or the fiscal year or years, as the case may be, for which the appropriation is available for obligation.

“(2) The withdrawals required by subsection (a) (2) of this section shall be made—

“(A) for any fiscal year ending on or before June 30, 1976, not later than September 30 of the fiscal year immediately following the fiscal year in which the period of availability for obligation expires; and

“(B) for the period commencing on July 1, 1976, and ending on September 30, 1976, and for any fiscal year commencing on or after October 1, 1976, not later than November 15 following such period or fiscal year, as the case may be, in which the period of availability for obligation expires.”

#### CONVERSION OF AUTHORIZATIONS OF APPROPRIATIONS

SEC. 504. Any law providing for an authorization of appropriations commencing on July 1 of a year shall, if that year is any year after 1975, be considered as meaning October 1 of that year. Any law providing for an authorization of appropriations ending on June 30 of a year shall, if that year is any year after 1976, be considered as meaning September 30 of that year. Any law providing for an authorization of appropriations for the fiscal year 1977 or any fiscal year thereafter shall be construed as referring to that fiscal year ending on September 30 of the calendar year having the same calendar year number as the fiscal year number.

#### REPEALS

SEC. 505. The following provisions of law are repealed:

(1) the ninth paragraph under the headings “Legislative Establishment”, “Senate”, of the Deficiency Appropriation Act, fiscal year 1934 (48 Stat. 1022; 2 U.S.C. 66); and

(2) the proviso to the second paragraph under the headings “House of Representatives”, “Salaries, Mileage, and Expenses of Members”, of the Legislative-Judiciary Appropriation Act, 1955 (68 Stat. 400; 2 U.S.C. 81).

#### TECHNICAL AMENDMENT

SEC. 506. (a) Section 105 of title 1, United States Code, is amended by striking out “June 30” and inserting in lieu thereof “September 30”.

(b) The provisions of subsection (a) of this section shall be effective with respect to Acts making appropriations for the support of the Government for any fiscal year commencing on or after October 1, 1976.

TITLE VI—AMENDMENTS TO BUDGET AND  
ACCOUNTING ACT, 1921

## MATTERS TO BE INCLUDED IN PRESIDENT'S BUDGET

SEC. 601. Section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is amended by adding at the end thereof the following new subsections:

“(d) The Budget transmitted pursuant to subsection (a) for each fiscal year shall set forth separately the items enumerated in section 301(a) (1)–(5) of the Congressional Budget Act of 1974.

“(e) The Budget transmitted pursuant to subsection (a) for each fiscal year shall set forth the levels of tax expenditures under existing law for such fiscal year (the tax expenditures budget), taking into account projected economic factors, and any changes in such existing levels based on proposals contained in such Budget. For purposes of this subsection, the terms ‘tax expenditures’ and ‘tax expenditures budget’ have the meanings given to them by section 3(a) (3) of the Congressional Budget Act of 1974.

“(f) The Budget transmitted pursuant to subsection (a) for each fiscal year shall contain—

“(1) a comparison, for the last completed fiscal year, of the total amount of outlays estimated in the Budget transmitted pursuant to subsection (a) for each major program involving uncontrollable or relatively uncontrollable outlays and the total amount of outlays made under each such major program during such fiscal year;

“(2) a comparison, for the last completed fiscal year, of the total amount of revenues estimated in the Budget transmitted pursuant to subsection (a) and the total amount of revenues received during such year, and, with respect to each major revenue source, the amount of revenues estimated in the Budget transmitted pursuant to subsection (a) and the amount of revenues received during such year; and

“(3) an analysis and explanation of the difference between each amount set forth pursuant to paragraphs (1) and (2) as the amount of outlays or revenues estimated in the Budget submitted under subsection (a) for such fiscal year and the corresponding amount set forth as the amount of outlays made or revenues received during such fiscal year.

“(g) The President shall transmit to the Congress, on or before April 10 and July 15 of each year, a statement of all amendments to or revisions in the budget authority requested, the estimated outlays, and the estimated receipts for the ensuing fiscal year set forth in the Budget transmitted pursuant to subsection (a) (including any previous amendments or revisions proposed on behalf of the executive branch) that he deems necessary and appropriate based on the most current information available. Such statement shall contain the effect of such amendments and revisions on the summary data submitted under subsection (a) and shall include such supporting detail as is practicable. The statement transmitted on or before July 15 of any year may be included in the supplemental summary required to be transmitted under subsection (b) during such year. The Budget transmitted to the Congress pursuant to subsection (a) for any fiscal year,

or the supporting detail transmitted in connection therewith, shall include a statement of all such amendments and revisions with respect to the fiscal year in progress made before the date of transmission of such Budget.

“(h) The Budget transmitted pursuant to subsection (a) for each fiscal year shall include information with respect to estimates of appropriations for the next succeeding fiscal year for grants, contracts, or other payments under any program for which there is an authorization of appropriations for such succeeding fiscal year and such appropriations are authorized to be included in an appropriation Act for the fiscal year preceding the fiscal year in which the appropriation is to be available for obligation.

“(i) The Budget transmitted pursuant to subsection (a) for each fiscal year, beginning with the fiscal year ending September 30, 1979, shall contain a presentation of budget authority, proposed budget authority, outlays, proposed outlays, and descriptive information in terms of—

“(1) a detailed structure of national needs which shall be used to reference all agency missions and programs;

“(2) agency missions; and

“(3) basic programs.

To the extent practicable, each agency shall furnish information in support of its budget requests in accordance with its assigned missions in terms of Federal functions and subfunctions, including mission responsibilities of component organizations, and shall relate its programs to agency missions.”

#### MIDYEAR REVIEW

SEC. 602. Section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is amended by striking out “on or before June 1 of each year, beginning with 1972” and inserting in lieu thereof “on or before July 15 of each year”.

#### FIVE-YEAR BUDGET PROJECTIONS

SEC. 603. Section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is amended—

(1) by inserting after “ensuing fiscal year” in paragraph (5) “and projections for the four fiscal years immediately following the ensuing fiscal year”;

(2) by striking out “such year” in paragraph (5) and inserting in lieu thereof “such years”; and

(3) by inserting after “ensuing fiscal year” in paragraph (6) “and projections for the four fiscal years immediately following the ensuing fiscal year”.

#### ALLOWANCES FOR SUPPLEMENTAL BUDGET AUTHORITY AND UNCONTROLLABLE OUTLAYS

SEC. 604. Section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is further amended—

(1) by striking out “and” at the end of paragraph (11);



(2) by striking out the period at the end of paragraph (12) and inserting in lieu thereof “; and”; and

(3) by adding at the end thereof the following new paragraph:  
“(13) an allowance for additional estimated expenditures and proposed appropriations for the ensuing fiscal year, and an allowance for unanticipated uncontrollable expenditures for the ensuing fiscal year.”

#### BUDGET DATA BASED ON CONTINUATION OF EXISTING LEVEL OF SERVICES

SEC. 605. (a) On or before November 10 of each year (beginning with 1975), the President shall submit to the Senate and the House of Representatives the estimated outlays and proposed budget authority which would be included in the Budget to be submitted pursuant to section 201 of the Budget and Accounting Act, 1921, for the ensuing fiscal year if all programs and activities were carried on during such ensuing fiscal year at the same level as the fiscal year in progress and without policy changes in such programs and activities. The estimated outlays and proposed budget authority submitted pursuant to this section shall be shown by function and subfunctions (in accordance with the classifications in the budget summary table entitled “Budget Authority and Outlays by Function and Agency”), by major programs within each such function, and by agency. Accompanying these estimates shall be the economic and programmatic assumptions underlying the estimated outlays and proposed budget authority, such as the rate of inflation, the rate of real economic growth, the unemployment rate, program caseloads, and pay increases.

(b) The Joint Economic Committee shall review the estimated outlays and proposed budget authority so submitted, and shall submit to the Committees on the Budget of both Houses an economic evaluation thereof on or before December 31 of each year.

#### STUDY OF OFF-BUDGET AGENCIES

SEC. 606. The Committees on the Budget of the House of Representatives and the Senate shall study on a continuing basis those provisions of law which exempt agencies of the Federal Government, or any of their activities or outlays, from inclusion in the Budget of the United States Government transmitted by the President under section 201 of the Budget and Accounting Act, 1921. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

#### YEAR-AHEAD REQUESTS FOR AUTHORIZATION OF NEW BUDGET AUTHORITY

SEC. 607. Notwithstanding any other provision of law, any request for the enactment of legislation authorizing the enactment of new budget authority to continue a program or activity for a fiscal year (beginning with the fiscal year commencing October 1, 1976) shall be submitted to the Congress not later than May 15 of the year preceding the year in which such fiscal year begins. In the case of a request for the enactment of legislation authorizing the enactment of new budget authority for a new program or activity which is to continue for more than one fiscal year, such request shall be submitted for at least the first 2 fiscal years.

## TITLE VII—PROGRAM REVIEW AND EVALUATION

## REVIEW AND EVALUATION BY STANDING COMMITTEES

SEC. 701. Section 136(a) of the Legislative Reorganization Act of 1946 (2 U.S.C. 190d) is amended by adding at the end thereof the following new sentences: "Such committees may carry out the required analysis, appraisal, and evaluation themselves, or by contract, or may require a Government agency to do so and furnish a report thereon to the Congress. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time."

## REVIEW AND EVALUATION BY THE COMPTROLLER GENERAL

SEC. 702. (a) Section 204 of the Legislative Reorganization Act of 1970 (31 U.S.C. 1154) is amended to read as follows:

## "REVIEW AND EVALUATION

"SEC. 204. (a) The Comptroller General shall review and evaluate the results of Government programs and activities carried on under existing law when ordered by either House of Congress, or upon his own initiative, or when requested by any committee of the House of Representatives or the Senate, or any joint committee of the two Houses, having jurisdiction over such programs and activities.

"(b) The Comptroller General, upon request of any committee of either House or any joint committee of the two Houses, shall—

"(1) assist such committee or joint committee in developing a statement of legislative objectives and goals and methods for assessing and reporting actual program performance in relation to such legislative objectives and goals. Such statements shall include, but are not limited to, recommendations as to methods of assessment, information to be reported, responsibility for reporting, frequency of reports, and feasibility of pilot testing; and

"(2) assist such committee or joint committee in analyzing and assessing program reviews or evaluation studies prepared by and for any Federal agency.

Upon request of any Member of either House, the Comptroller General shall furnish to such Member a copy of any statement or other material compiled in carrying out paragraphs (1) and (2) which has been released by the committee or joint committee for which it was compiled.

"(c) The Comptroller General shall develop and recommend to the Congress methods for review and evaluation of Government programs and activities carried on under existing law.

"(d) In carrying out his responsibilities under this section, the Comptroller General is authorized to establish an Office of Program Review and Evaluation within the General Accounting Office. The Comptroller General is authorized to employ not to exceed ten experts on a permanent, temporary, or intermittent basis and to obtain services as authorized by section 3109 of title 5, United States Code, but in either case at a rate (or the daily equivalent) for individuals not to exceed that prescribed, from time to time, for level V of the Executive Schedule under section 5316 of title 5, United States Code.

“(e) The Comptroller General shall include in his annual report to the Congress a review of his activities under this section, including his recommendations of methods for review and evaluation of Government programs and activities under subsection (c).”

(b) Item 204 in the table of contents of such Act is amended to read as follows:

“Sec. 204. Review and evaluation.”

#### CONTINUING STUDY OF ADDITIONAL BUDGET REFORM PROPOSALS

SEC. 703. (a) The Committees on the Budget of the House of Representatives and the Senate shall study on a continuing basis proposals designed to improve and facilitate methods of congressional budget-making. The proposals to be studied shall include, but are not limited to, proposals for—

(1) improving the information base required for determining the effectiveness of new programs by such means as pilot testing, survey research, and other experimental and analytical techniques;

(2) improving analytical and systematic evaluation of the effectiveness of existing programs;

(3) establishing maximum and minimum time limitations for program authorization; and

(4) developing techniques of human resource accounting and other means of providing noneconomic as well as economic evaluation measures.

(b) The Committee on the Budget of each House shall, from time to time, report to its House the results of the study carried on by it under subsection (a), together with its recommendations.

(c) Nothing in this section shall preclude studies to improve the budgetary process by any other committee of the House of Representatives or the Senate or any joint committee of the Congress.

### TITLE VIII—FISCAL AND BUDGETARY INFORMATION AND CONTROLS

#### AMENDMENT TO LEGISLATIVE REORGANIZATION ACT OF 1970

SEC. 801. (a) So much of title II of the Legislative Reorganization Act of 1970 (31 U.S.C. chapter 22) as precedes section 204 thereof is amended to read as follows:

### “TITLE II—FISCAL AND BUDGETARY INFORMATION AND CONTROLS

#### “PART I—FISCAL, BUDGETARY, AND PROGRAM-RELATED DATA AND INFORMATION

##### “FEDERAL FISCAL, BUDGETARY, AND PROGRAM-RELATED DATA AND INFORMATION SYSTEMS

“SEC. 201. The Secretary of the Treasury and the Director of the Office of Management and Budget, in cooperation with the Comptroller General of the United States, shall develop, establish, and maintain,



for use by all Federal agencies, standardized data processing and information systems for fiscal, budgetary, and program-related data and information. The development, establishment, and maintenance of such systems shall be carried out so as to meet the needs of the various branches of the Federal Government and, insofar as practicable, of governments at the State and local level.

"STANDARDIZATION OF TERMINOLOGY, DEFINITIONS, CLASSIFICATIONS, AND CODES FOR FISCAL, BUDGETARY, AND PROGRAM-RELATED DATA AND INFORMATION

"SEC. 202. (a) (1) The Comptroller General of the United States, in cooperation with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office, shall develop, establish, maintain, and publish standard terminology, definitions, classifications, and codes for Federal fiscal, budgetary, and program-related data and information. The authority contained in this section shall include, but not be limited to, data and information pertaining to Federal fiscal policy, revenues, receipts, expenditures, functions, programs, projects, and activities. Such standard terms, definitions, classifications, and codes shall be used by all Federal agencies in supplying to the Congress fiscal, budgetary, and program-related data and information.

"(2) The Comptroller General shall submit to the Congress, on or before June 30, 1975, a report containing the initial standard terminology, definitions, classifications, and codes referred to in paragraph (1), and shall recommend any legislation necessary to implement them. After June 30, 1975, the Comptroller General shall submit to the Congress additional reports as he may think advisable, including any recommendations for any legislation he may deem necessary to further the development, establishment, and maintenance, modification, and executive implementation of such standard terminology, definitions, classifications, and codes.

"(b) In carrying out this responsibility, the Comptroller General of the United States shall give particular consideration to the needs of the Committees on the Budget of the House and Senate, the Committees on Appropriations of the House and Senate, the Committee on Ways and Means of the House, the Committee on Finance of the Senate, and the Congressional Budget Office.

"(c) The Comptroller General of the United States shall conduct a continuing program to identify and specify the needs of the committees and Members of the Congress for fiscal, budgetary, and program-related information to support the objectives of this part.

"(d) The Comptroller General shall assist committees in developing their information needs, including such needs expressed in legislative requirements, and shall monitor the various recurring reporting requirements of the Congress and committees and make recommendations to the Congress and committees for changes and improvements in their reporting requirements to meet congressional information needs ascertained by the Comptroller General, to enhance their usefulness to the congressional users and to eliminate duplicative or unneeded reporting.

“(e) On or before September 1, 1974, and each year thereafter, the Comptroller General shall report to the Congress on needs identified and specified under subsection (c); the relationship of these needs to the existing reporting requirements; the extent to which the executive branch reporting presently meets the identified needs; the specification of changes to standard classifications needed to meet congressional needs; the activities, progress and results of his activities under subsection (d); and the progress that the executive branch has made during the past year.

“(f) On or before March 1, 1975, and each year thereafter, the Director of the Office of Management and Budget and the Secretary of the Treasury shall report to the Congress on their plans for addressing the needs identified and specified under subsection (c), including plans for implementing changes to classifications and codes to meet the information needs of the Congress as well as the status of prior year system and classification implementations.

“AVAILABILITY TO AND USE BY THE CONGRESS AND STATE AND LOCAL GOVERNMENTS OF FEDERAL FISCAL, BUDGETARY, AND PROGRAM-RELATED DATA AND INFORMATION

“SEC. 203. (a) Upon request of any committee of either House, of any joint committee of the two Houses, of the Comptroller General, or of the Director of the Congressional Budget Office, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the heads of the various executive agencies shall—

“(1) furnish to such committee or joint committee, the Comptroller General, or the Director of the Congressional Budget Office information as to the location and nature of available fiscal, budgetary, and program-related data and information:

“(2) to the extent practicable, prepare summary tables of such data and information and any related information deemed necessary by such committee or joint committee, the Comptroller General, or the Director of the Congressional Budget Office; and

“(3) furnish to such committee or joint committee, the Comptroller General, or the Director of the Congressional Budget Office any program evaluations conducted or commissioned by any executive agency.

“(b) The Comptroller General, in cooperation with the Director of the Congressional Budget Office, the Secretary of the Treasury, and the Director of the Office of Management and Budget, shall—

“(1) develop, establish, and maintain an up-to-date inventory and directory of sources and information systems containing fiscal, budgetary, and program-related data and information and a brief description of their content;

“(2) provide, upon request, assistance to committees, joint committees, and Members of Congress in securing Federal fiscal, budgetary, and program-related data and information from the sources identified in such inventory and directory; and

“(3) furnish, upon request, assistance to committees and joint committees of Congress and, to the extent practicable, to Members of Congress in appraising and analyzing fiscal, budgetary, and

program-related data and information secured from the sources identified in such inventory and directory.

“(c) The Comptroller General and the Director of the Congressional Budget Office shall, to the extent they deem necessary, develop, establish, and maintain a central file or files of the data and information required to carry out the purposes of this title. Such a file or files shall be established to meet recurring requirements of the Congress for fiscal, budgetary, and program-related data and information and shall include, but not be limited to, data and information pertaining to budget requests, congressional authorizations to obligate and spend, apportionment and reserve actions, and obligations and expenditures. Such file or files and their indexes shall be maintained in such a manner as to facilitate their use by the committees of both Houses, joint committees, and other congressional agencies through modern data processing and communications techniques.

“(d) The Director of the Office of Management and Budget, in cooperation with the Director of the Congressional Budget Office, the Comptroller General, and appropriate representatives of State and local governments, shall provide, to the extent practicable, State and local governments such fiscal, budgetary, and program-related data and information as may be necessary for the accurate and timely determination by these governments of the impact of Federal assistance upon their budgets.”

(b) The table of contents of the Legislative Reorganization Act of 1970 is amended by striking out—

#### “TITLE II—FISCAL CONTROLS

##### “PART 1—BUDGETARY AND FISCAL INFORMATION AND DATA

“Sec. 201. Budgetary and fiscal data processing system.

“Sec. 202. Budget standard classifications.

“Sec. 203. Availability to Congress of budgetary, fiscal, and related data.”

and inserting in lieu thereof—

#### “TITLE II—FISCAL AND BUDGETARY INFORMATION AND CONTROLS

##### “PART 1—FISCAL, BUDGETARY, AND PROGRAM-RELATED DATA AND INFORMATION

“Sec. 201. Federal fiscal, budgetary, and program-related data and information systems.

“Sec. 202. Standardization of terminology, definitions, classifications, and codes for fiscal, budgetary, and program-related data and information.

“Sec. 203. Availability to and use by the Congress and State and local governments of Federal fiscal, budgetary, and program-related data and information.”

#### CHANGES IN FUNCTIONAL CATEGORIES

SEC. 802. Any change in the functional categories set forth in the Budget of the United States Government transmitted pursuant to section 201 of the Budget and Accounting Act, 1921, shall be made only in consultation with the Committees on Appropriations and the Budget of the House of Representatives and Senate.



## TITLE IX—MISCELLANEOUS PROVISIONS; EFFECTIVE DATES

## AMENDMENTS TO RULES OF THE HOUSE

SEC. 901. (a) Rule XI of the Rules of the House of Representatives (as amended by section 101(c) of this Act) is amended by inserting immediately after clause 22 the following new clause:

“22A. The respective areas of legislative jurisdiction under this rule are modified by title I of the Congressional Budget Act of 1974.”

(b) Paragraph (c) of clause 29 of Rule XI of the Rules of the House of Representatives (as redesignated by section 101(c) of this Act) is amended by inserting “the Committee on the Budget,” immediately after “the Committee on Appropriations.”

(c) Subparagraph (5) of paragraph (a) of clause 30 of Rule XI of the Rules of the House of Representatives (as so redesignated) is amended by inserting “and the Committee on the Budget” immediately before the period at the end thereof.

(d) Subparagraph (4) of paragraph (b) of clause 30 of Rule XI of the Rules of the House of Representatives (as so redesignated) is amended by inserting “and the Committee on the Budget” immediately before the period at the end hereof.

(e) Paragraph (d) of clause 30 of Rule XI of the Rules of the House of Representatives (as so redesignated) is amended by striking out “the Committee on Appropriations may appoint” and inserting in lieu thereof “the Committee on Appropriations and the Committee on the Budget may each appoint”.

(f) Clause 32 of Rule XI of the Rules of the House of Representatives (as so redesignated) is amended by inserting “the Committee on the Budget,” immediately after “the Committee on Appropriations.”

(g) Paragraph (a) of clause 33 of Rule XI of the Rules of the House of Representatives (as so redesignated) is amended by inserting “and the Committee on the Budget” immediately after “the Committee on Appropriations”.

## CONFORMING AMENDMENTS TO STANDING RULES OF THE SENATE

SEC. 902. Paragraph 1 of rule XXV of the Standing Rules of the Senate is amended—

(1) by striking out “Revenue” in subparagraph (h)1 and inserting in lieu thereof “Except as provided in the Congressional Budget Act of 1974, revenue”;

(2) by striking out “The” in subparagraph (h)2 and inserting in lieu thereof “Except as provided in the Congressional Budget Act of 1974, the”; and

(3) by striking out “Budget” in subparagraph (j) (1) (A) and inserting in lieu thereof “Except as provided in the Congressional Budget Act of 1974, budget”.

## AMENDMENTS TO LEGISLATIVE REORGANIZATION ACT OF 1946

SEC. 903. (a) Section 134(c) of the Legislative Reorganization Act of 1946 (2 U.S.C. 190b(b)) is amended by inserting "or the Committee on the Budget" after "Appropriations".

(b) Section 136(c) of such Act (2 U.S.C. 190d(c)) is amended by striking out "Committee on Appropriations of the Senate and the Committees on Appropriations," and inserting in lieu thereof "Committees on Appropriations and the Budget of the Senate and the Committees on Appropriations, the Budget,".

## EXERCISE OF RULEMAKING POWERS

SEC. 904. (a) The provisions of this title (except section 905) and of titles I, III, and IV and the provisions of sections 606, 701, 703, and 1017 are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

(b) Any provision of title III or IV may be waived or suspended in the Senate by a majority vote of the Members voting, a quorum being present, or by the unanimous consent of the Senate.

(c) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV or section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be.

## EFFECTIVE DATES

SEC. 905. (a) Except as provided in this section, the provisions of this Act shall take effect on the date of its enactment.

(b) Title II (except section 201(a)), section 403, and section 502(c) shall take effect on the day on which the first Director of the Congressional Budget Office is appointed in section 201(a).

(c) Except as provided under section 906, title III and section 402 shall apply with respect to the fiscal year beginning on October 1, 1976, and succeeding fiscal years, and section 401 shall take effect on the first day of the second regular session of the Ninety-fourth Congress.

(d) The amendments to the Budget and Accounting Act, 1921, made by sections 601, 603, and 604 shall apply with respect to the fiscal year beginning on July 1, 1975, and succeeding fiscal years, except that section 201(g) of such Act (as added by section 601) shall apply with respect to the fiscal year beginning on October 1, 1976, and succeeding fiscal years and section 201(i) of such Act (as added by section 601) shall apply with respect to the fiscal year beginning on October 1, 1978,

and succeeding fiscal years. The amendment to such Act made by section 602 shall apply with respect to the fiscal year beginning on October 1, 1976, and succeeding fiscal years.

#### APPLICATION OF CONGRESSIONAL BUDGET PROCESS TO FISCAL YEAR 1976

SEC. 906. If the Committees on the Budget of the House of Representatives and the Senate both agree that it is feasible to report and act on a concurrent resolution on the budget referred to in section 301 (a), or to apply any provision of title III or section 401 or 402, for the fiscal year beginning on July 1, 1975, and submit reports of such agreement to their respective Houses, then to the extent and in the manner specified in such reports, the provisions so specified and section 202(f) shall apply with respect to such fiscal year. If any provision so specified contains a date, such reports shall also specify a substitute date.

### TITLE X—IMPOUNDMENT CONTROL

#### PART A—GENERAL PROVISIONS

##### DISCLAIMER

SEC. 1001. Nothing contained in this Act, or in any amendments made by this Act, shall be construed as—

(1) asserting or conceding the constitutional powers or limitations of either the Congress or the President;

(2) ratifying or approving any impoundment heretofore or hereafter executed or approved by the President or any other Federal officer or employee, except insofar as pursuant to statutory authorization then in effect;

(3) affecting in any way the claims or defenses of any party to litigation concerning any impoundment; or

(4) superseding any provision of law which requires the obligation of budget authority or the making of outlays thereunder.

##### AMENDMENT TO ANTIDEFICIENCY ACT

SEC. 1002. Section 3679(c)(2) of the Revised Statutes, as amended (31 U.S.C. 665), is amended to read as follows:

“(2) In apportioning any appropriation, reserves may be established solely to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements or greater efficiency of operations. Whenever it is determined by an officer designated in subsection (d) of this section to make apportionments and reapportionments that any amount so reserved will not be required to carry out the full objectives and scope of the appropriation concerned, he shall recommend the rescission of such amount in the manner provided in the Budget and Accounting Act, 1921, for estimates of appropriations. Except as specifically provided by particular appropriations Acts or other laws, no reserves shall be established other than as authorized by this subsection. Reserves established pursuant to this subsection shall be reported to the Congress in accordance with the Impoundment Control Act of 1974.”



REPEAL OF EXISTING IMPOUNDMENT REPORTING PROVISION

SEC. 1003. Section 203 of the Budget and Accounting Procedures Act of 1950 is repealed.

PART B—CONGRESSIONAL CONSIDERATION OF PROPOSED RESCISSIONS, RESERVATIONS, AND DEFERRALS OF BUDGET AUTHORITY

DEFINITIONS

SEC. 1011. For purposes of this part—

(1) “deferral of budget authority” includes—

(A) withholding or delaying the obligation or expenditure of budget authority (whether by establishing reserves or otherwise) provided for projects or activities; or

(B) any other type of Executive action or inaction which effectively precludes the obligation or expenditure of budget authority, including authority to obligate by contract in advance of appropriations as specifically authorized by law;

(2) “Comptroller General” means the Comptroller General of the United States;

(3) “rescission bill” means a bill or joint resolution which only rescinds, in whole or in part, budget authority proposed to be rescinded in a special message transmitted by the President under section 1012, and upon which the Congress completes action before the end of the first period of 45 calendar days of continuous session of the Congress after the date on which the President’s message is received by the Congress;

(4) “impoundment resolution” means a resolution of the House of Representatives or the Senate which only expresses its disapproval of a proposed deferral of budget authority set forth in a special message transmitted by the President under section 1013; and

(5) continuity of a session of the Congress shall be considered as broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain shall be excluded in the computation of the 45-day period referred to in paragraph (3) of this section and in section 1012, and the 25-day periods referred to in sections 1016 and 1017(b) (1). If a special message is transmitted under section 1012 during any Congress and the last session of such Congress adjourns sine die before the expiration of 45 calendar days of continuous session (or a special message is so transmitted after the last session of the Congress adjourns sine die), the message shall be deemed to have been retransmitted on the first day of the succeeding Congress and the 45-day period referred to in paragraph (3) of this section and in section 1012 (with respect to such message) shall commence on the day after such first day.

RESCISSION OF BUDGET AUTHORITY

SEC. 1012.<sup>1</sup> (a) TRANSMITTAL OF SPECIAL MESSAGE.—Whenever the President determines that all or part of any budget authority will not

<sup>1</sup> Sec. 204(12) of the Fiscal Year Transition Act, Public Law 94-272, 90 Stat. 383, approved April 21, 1976, provides for treatment of the transition quarter period between July 1, 1976 through September 30, 1976, as part of a fiscal year beginning July 1, 1975.

be required to carry out the full objectives or scope of programs for which it is provided or that such budget authority should be rescinded for fiscal policy or other reasons (including the termination of authorized projects or activities for which budget authority has been provided), or whenever all or part of budget authority provided for only one fiscal year is to be reserved from obligation for such fiscal year, the President shall transmit to both Houses of Congress a special message specifying—

(1) the amount of budget authority which he proposes to be rescinded or which is to be so reserved;

(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved;

(3) the reasons why the budget authority should be rescinded or is to be so reserved;

(4) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed rescission or of the reservation; and

(5) all facts, circumstances, and considerations relating to or bearing upon the proposed rescission or the reservation and the decision to effect the proposed rescission or the reservation, and to the maximum extent practicable, the estimated effect of the proposed rescission or the reservation upon the objects, purposes, and programs for which the budget authority is provided.

(b) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority proposed to be rescinded or that is to be reserved as set forth in such special message shall be made available for obligation unless, within the prescribed 45-day period, the Congress has completed action on a rescission bill rescinding all or part of the amount proposed to be rescinded or that is to be reserved.

#### DISAPPROVAL OF PROPOSED DEFERRALS OF BUDGET AUTHORITY

SEC. 1013.<sup>1</sup> (a) TRANSMITTAL OF SPECIAL MESSAGE.—Whenever the President, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any officer or employee of the United States proposes to defer any budget authority provided for a specific purpose or project, the President shall transmit to the House of Representatives and the Senate a special message specifying—

(1) the amount of the budget authority proposed to be deferred;

(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific projects or governmental functions involved;

(3) the period of time during which the budget authority is proposed to be deferred;

(4) the reasons for the proposed deferral, including any legal authority invoked by him to justify the proposed deferral;

(5) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed deferral; and

(6) all facts, circumstances, and considerations relating to or bearing upon the proposed deferral and the decision to effect the

<sup>1</sup> Sec. 204(12) of the Fiscal Year Transition Act, Public Law 94-272, 90 Stat. 383, approved April 21, 1976, provides for treatment of the transition quarter period between July 1, 1976 through September 30, 1976, as part of a fiscal year beginning July 1, 1975.



proposed deferral, including an analysis of such facts, circumstances, and considerations in terms of their application to any legal authority and specific elements of legal authority invoked by him to justify such proposed deferral, and to the maximum extent practicable, the estimated effect of the proposed deferral upon the objects, purposes, and programs for which the budget authority is provided.

A special message may include one or more proposed deferrals of budget authority. A deferral may not be proposed for any period of time extending beyond the end of the fiscal year in which the special message proposing the deferral is transmitted to the House and the Senate.

(b) **REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.**—Any amount of budget authority proposed to be deferred, as set forth in a special message transmitted under subsection (a), shall be made available for obligation if either House of Congress passes an impoundment resolution disapproving such proposed deferral.

(c) **EXCEPTION.**—The provisions of this section do not apply to any budget authority proposed to be rescinded or that is to be reserved as set forth in a special message required to be transmitted under section 1012.

#### TRANSMISSION OF MESSAGES; PUBLICATION

**SEC. 1014. (a) DELIVERY TO HOUSE AND SENATE.**—Each special message transmitted under section 1012 or 1013 shall be transmitted to the House of Representatives and the Senate on the same day, and shall be delivered to the Clerk of the House of Representatives if the House is not in session, and to the Secretary of the Senate if the Senate is not in session. Each special message so transmitted shall be referred to the appropriate committee of the House of Representatives and the Senate. Each such message shall be printed as a document of each House.

(b) **DELIVERY TO COMPTROLLER GENERAL.**—A copy of each special message transmitted under section 1012 or 1013 shall be transmitted to the Comptroller General on the same day it is transmitted to the House of Representatives and the Senate. In order to assist the Congress in the exercise of its functions under sections 1012 and 1013, the Comptroller General shall review each such message and inform the House of Representatives and the Senate as promptly as practicable with respect to—

(1) in the case of a special message transmitted under section 1012, the facts surrounding the proposed rescission or the reservation of budget authority (including the probable effects thereof); and

(2) in the case of a special message transmitted under section 1013, (A) the facts surrounding each proposed deferral of budget authority (including the probable effects thereof) and (B) whether or not (or to what extent), in his judgment, such proposed deferral is in accordance with existing statutory authority.

(c) **TRANSMISSION OF SUPPLEMENTARY MESSAGES.**—If any information contained in a special message transmitted under section 1012 or 1013 is subsequently revised, the President shall transmit to both Houses of Congress and the Comptroller General a supplementary message stating and explaining such revision. Any such supplement-



tary message shall be delivered, referred, and printed as provided in subsection (a). The Comptroller General shall promptly notify the House of Representatives and the Senate of any changes in the information submitted by him under subsection (b) which may be necessitated by such revision.

(d) **PRINTING IN FEDERAL REGISTER.**—Any special message transmitted under section 1012 or 1013, and any supplementary message transmitted under subsection (c), shall be printed in the first issue of the Federal Register published after such transmittal.

(e) <sup>1</sup> **CUMULATIVE REPORTS OF PROPOSED RESCISSIONS, RESERVATIONS, AND DEFERRALS OF BUDGET AUTHORITY.**—

(1) The President shall submit a report to the House of Representatives and the Senate, not later than the 10th day of each month during a fiscal year, listing all budget authority for that fiscal year with respect to which, as of the first day of such month—

(A) he has transmitted a special message under section 1012 with respect to a proposed rescission or a reservation; and

(B) he has transmitted a special message under section 1013 proposing a deferral.

Such report shall also contain, with respect to each such proposed rescission or deferral, or each such reservation, the information required to be submitted in the special message with respect thereto under section 1012 or 1013.

(2) Each report submitted under paragraph (1) shall be printed in the first issue of the Federal Register published after its submission.

#### REPORTS BY COMPTROLLER GENERAL

**SEC. 1015. (a) FAILURE TO TRANSMIT SPECIAL MESSAGE.**—If the Comptroller General finds that the President, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any other officer or employee of the United States—

(1) is to establish a reserve or proposes to defer budget authority with respect to which the President is required to transmit a special message under section 1012 or 1013; or

(2) has ordered, permitted, or approved the establishment of such a reserve or a deferral of budget authority;

and that the President has failed to transmit a special message with respect to such reserve or deferral, the Comptroller General shall make a report on such reserve or deferral and any available information concerning it to both Houses of Congress. The provisions of this part shall apply with respect to such reserve or deferral in the same manner and with the same effect as if such report of the Comptroller General were a special message transmitted by the President under section 1012 or 1013, and, for purposes of this part, such report shall be considered a special message transmitted under section 1012 or 1013.

<sup>1</sup> Sec. 204(12) of the Fiscal Year Transition Act, Public Law 94-272, 90 Stat. 383, approved April 21, 1976, provides for treatment of the transition quarter between July 1, 1976 through September 30, 1976, as part of a fiscal year beginning July 1, 1975.

(b) **INCORRECT CLASSIFICATION OF SPECIAL MESSAGE.**—If the President has transmitted a special message to both Houses of Congress in accordance with section 1012 or 1013, and the Comptroller General believes that the President so transmitted the special message in accordance with one of those sections when the special message should have been transmitted in accordance with the other of those sections, the Comptroller General shall make a report to both Houses of the Congress setting forth his reasons.

#### SUITS BY COMPTROLLER GENERAL

SEC. 1016. If, under section 1012(b) or 1013(b), budget authority is required to be made available for obligation and such budget authority is not made available for obligation, the Comptroller General is hereby expressly empowered, through attorneys of his own selection, to bring a civil action in the United States District Court for the District of Columbia to require such budget authority to be made available for obligation, and such court is hereby expressly empowered to enter in such civil action, against any department, agency, officer, or employee of the United States, any decree, judgment, or order which may be necessary or appropriate to make such budget authority available for obligation. The courts shall give precedence to civil actions brought under this section, and to appeals and writs from decisions in such actions, over all other civil actions, appeals, and writs. No civil action shall be brought by the Comptroller General under this section until the expiration of 25 calendar days of continuous session of the Congress following the date on which an explanatory statement by the Comptroller General of the circumstances giving rise to the action contemplated has been filed with the Speaker of the House of Representatives and the President of the Senate.

#### PROCEDURE IN HOUSE AND SENATE

SEC. 1017. (a) **REFERRAL.**—Any rescission bill introduced with respect to a special message or impoundment resolution introduced with respect to a proposed deferral of budget authority shall be referred to the appropriate committee of the House of Representatives or the Senate, as the case may be.

(b) **DISCHARGE OF COMMITTEE.**—

(1) If the committee to which a rescission bill or impoundment resolution has been referred has not reported it at the end of 25 calendar days of continuous session of the Congress after its introduction, it is in order to move either to discharge the committee from further consideration of the bill or resolution or to discharge the committee from further consideration of any other rescission bill with respect to the same special message or impoundment resolution with respect to the same proposed deferral, as the case may be, which has been referred to the committee.

(2) A motion to discharge may be made only by an individual favoring the bill or resolution, may be made only if supported by one-fifth of the Members of the House involved (a quorum being present), and is highly privileged in the House and privileged in the Senate (except that it may not be made after the committee has reported a bill or resolution with respect to the same special



message or the same proposed deferral, as the case may be); and debate thereon shall be limited to not more than 1 hour, the time to be divided in the House equally between those favoring and those opposing the bill or resolution, and to be divided in the Senate equally between, and controlled by, the majority leader and the minority leader or their designees. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(c) FLOOR CONSIDERATION IN THE HOUSE.—

(1) When the committee of the House of Representatives has reported, or has been discharged from further consideration of a rescission bill or impoundment resolution, it shall at any time thereafter be in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the bill or resolution. The motion shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) Debate on a rescission bill or impoundment resolution shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the bill or resolution. A motion further to limit debate shall not be debatable. In the case of an impoundment resolution, no amendment to, or motion to recommit, the resolution shall be in order. It shall not be in order to move to reconsider the vote by which a rescission bill or impoundment resolution is agreed to or disagreed to.

(3) Motions to postpone, made with respect to the consideration of a rescission bill or impoundment resolution, and motions to proceed to the consideration of other business, shall be decided without debate.

(4) All appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any rescission bill or impoundment resolution shall be decided without debate.

(5) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of any rescission bill or impoundment resolution and amendments thereto (or any conference report thereon) shall be governed by the Rules of the House of Representatives applicable to other bills and resolutions, amendments, and conference reports in similar circumstances.

(d) FLOOR CONSIDERATION IN THE SENATE.—

(1) Debate in the Senate on any rescission bill or impoundment resolution, and all amendments thereto (in the case of a rescission bill) and debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a rescission bill shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the bill. Debate on any amendment to an amendment, to such a bill, and debate on any debatable motion or appeal in connection with such a bill or an impoundment resolution shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of



the bill or resolution, except that in the event the manager of the bill or resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of a rescission bill shall be received. Such leaders, or either of them, may, from the time under their control on the passage of a rescission bill or impoundment resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion to further limit debate is not debatable. In the case of a rescission bill, a motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to one hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution. In the case of an impoundment resolution, no amendment or motion to recommit is in order.

(4) The conference report on any rescission bill shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(5) During the consideration in the Senate of the conference report on any rescission bill, debate shall be limited to 2 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 30 minutes, to be equally divided between, and controlled by the mover and the manager of the conference report.

(6) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to one hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to 30 minutes, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes to be equally divided between, and controlled by, the mover and the manager of the conference report. In all cases when the manager of the conference reports is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(7) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

Approved July 12, 1974.

# JOINT FUNDING SIMPLIFICATION ACT OF 1974

[Public Law 93-510, 88 Stat. 1605]

AN ACT To provide authority to expedite procedures for consideration and approval of projects drawing upon more than one Federal assistance program, to simplify requirements for operation of those projects, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Joint Funding Simplification Act of 1974".*

## PURPOSE

SEC. 2. The purpose of this Act is to enable State and local governments and private, nonprofit organizations to use Federal assistance more effectively and efficiently, and to adapt that assistance more readily to their particular needs through the wider use of projects drawing upon resources available from more than one Federal agency, program, or appropriation. It is the further purpose of this Act to encourage Federal-State arrangements under which local governments and private, nonprofit organizations may more effectively and efficiently combine State and Federal resources in support of projects of common interest to the governments and organizations concerned.

## BASIC RESPONSIBILITIES OF THE PRESIDENT AND HEADS OF FEDERAL AGENCIES

SEC. 3. (a) The President shall promulgate such regulations as may be necessary or appropriate to assure that this Act is applied by all Federal agencies in a consistent manner and in accordance with its purposes. He may, for this purpose, require that Federal agencies adopt or prescribe procedures that will assure that applicants for assistance to projects funded pursuant to the provisions of this Act make appropriate efforts (1) to secure the views and recommendations of non-Federal agencies that may be significantly affected by such projects, and (2) to resolve questions of common interest to those agencies prior to submission of any application.

(b) Subject to such regulations as the President may prescribe, and to other applicable law, the heads of Federal agencies, by internal agency order or interagency agreement, may take the following actions:

(1) Identification of related programs likely to be particularly suitable or appropriate for providing joint support for specific kinds of projects thereunder.

(2) Development and promulgation of guidelines, model or illustrative projects, joint or common application forms, and other material or guidance to assist in the planning and development of projects drawing support from different programs.

(3) Review of administratively established program requirements in order to determine which of those requirements may impede joint support of projects thereunder and the extent to which such requirements may be modified, making such modifications where appropriate.

(4) Establishment of common technical or administrative rules with respect to related programs to assist in the joint use of funds in the support of specific projects or classes of projects under such programs.

(5) Creation of joint or common application processing and project supervision procedures or mechanisms including procedures for designating lead agencies to assume responsibilities for processing applications on behalf of several agencies and for designation of managing agencies to assume responsibilities for project supervision on behalf of several agencies.

(c) The head of each Federal agency shall be responsible for taking actions, to the maximum extent permitted under applicable law, that will further the purpose of this Act with respect to Federal assistance programs administered by his agency. Each Federal agency head shall also consult and cooperate with the heads of other Federal agencies in order similarly to promote the purposes of this Act with respect to Federal assistance programs of different agencies that may be used jointly in support of projects undertaken by State or local governments, or private, nonprofit organizations.

#### APPLICATION PROCESSING

SEC. 4. Actions taken by Federal agency heads pursuant to this Act that relate to the processing of applications or requests for assistance under two or more Federal programs in support of any project shall be designed to assure, so far as reasonably possible, that (1) all required reviews and approvals are handled expeditiously; (2) full account is taken of any special considerations of timing that are made known by the applicant that would affect the feasibility of a jointly funded project; (3) the applicant is required to deal with a minimum number of Federal representatives, acting separately or as a common board or panel; (4) the applicant is promptly informed of decisions with respect to an application and of any special problems or impediments that may affect the feasibility of Federal provision of assistance on a joint basis; and (5) the applicant is not required by representatives of any one Federal agency or program to obtain information or assurances concerning the requirements or actions of another Federal agency that could more appropriately be secured through direct communication among the Federal agencies involved.

#### SPECIAL AUTHORITIES—BASIC CONDITIONS

SEC. 5. Where appropriate to further the purposes of this Act, and subject to the conditions prescribed in this section, heads of Federal agencies may use the authorities described in sections 6, 7, and 8 (relating to the establishment of uniform technical or administrative requirements, delegation of powers and responsibilities, and establishment of joint management funds) with respect to projects assisted under more than one Federal assistance program. These authorities:



shall be exercised only pursuant to regulations prescribed by the President. Those regulations shall include criteria or procedures to assure that the authorities are limited in use to problems that cannot be adequately dealt with through other actions pursuant to this Act or other applicable law, that they are applied only as necessary to promote expeditious processing of applications or effective and efficient administration of projects, and that they are applied in a manner consistent with the protection of the Federal interest and with program purposes and statutory requirements.

#### ESTABLISHMENT OF UNIFORM TECHNICAL OR ADMINISTRATIVE REQUIREMENTS

SEC. 6. (a) In order to provide for projects that would otherwise be subject to varying or conflicting technical or administrative rules and procedures not required by law, the heads of Federal agencies may adopt uniform provisions with respect to—

(1) inconsistent or conflicting requirements relating to financial administration of such projects, including accounting, reporting and auditing, and maintaining separate bank accounts, but only to the extent consistent with the requirements of section 8;

(2) inconsistent or conflicting requirements relating to the timing of Federal payments for such projects where a single or combined schedule is to be established for the project as a whole;

(3) inconsistent or conflicting requirements that assistance be extended in the form of a grant rather than a contract, or a contract rather than a grant; and

(4) inconsistent or conflicting requirements relating to accountability for, or the disposition of, records, property, or structures acquired or constructed with Federal assistance where common rules are established for the project as a whole.

(b) In order to permit processing of applications in accordance with the purposes of this Act, Federal agency heads may provide for review of proposals for projects by a single panel, board, or committee in lieu of review by separate panels, boards, or committees except when such review is specifically required by law.

(c) In promoting the more effective and efficient use of Federal assistance resources, Federal agency heads may waive requirements that a single or specific public agency be utilized or designated to receive, supervise, or otherwise administer a part of the Federal assistance drawn upon by any jointly funded project to the extent that administration by another public agency is determined to be fully consistent with applicable State or local law and with the objectives of the Federal assistance program involved. This authority may be exercised only (1) upon request of the head of a unit of general government, with respect to agencies that he certifies to be under his jurisdiction, or (2) with the agreement of the several State or local public agencies concerned.

#### DELEGATION OF POWERS

SEC. 7. With the approval of the President, agency heads may delegate to other Federal agencies powers and functions relating to the supervision or administration of Federal assistance, or otherwise

arrange for other agencies to perform such activities, with respect to projects or classes of projects funded under the terms of this Act. Delegations under this section shall be made only on such conditions as may be appropriate to assure that the powers and functions delegated are exercised in full conformity with applicable statutory provisions and policies, and shall not relieve agency heads of responsibility for the proper and efficient management of projects funded by their agencies.

#### FUNDING ARRANGEMENTS AND PROCEDURES

SEC. 8. (a) In order to provide for the more effective administration of funds drawn from more than one Federal program or appropriation in support of projects under this Act, there may be established joint management funds with respect to such projects. There shall be transferred to the joint management fund from each affected program or appropriation, from time to time, its proportionate share of amounts needed for payment to the grantee. Any unexpended amounts shall be returned to the joint management fund by the grantee at the completion of the project.

(b) Any account in a joint management fund shall be subject to such agreements, not inconsistent with this section and other applicable law, as may be entered into by the Federal agencies concerned with respect to the discharge of the responsibilities of those agencies and shall assure the availability of necessary information to those agencies and to the Congress. These agreements shall also provide that the agency administering a joint management fund shall be responsible and accountable by program and appropriation for the amounts provided for the purposes of each account established in the fund; and shall include procedures for determining, from time to time, whether amounts in the account are in excess of the amounts required, and for returning that excess to the participating Federal agencies according to the applicable appropriations, subject to fiscal year limitations. Excess amounts applicable to expired appropriations will be lapsed from that fund.

(c) For each project financed through an account in a joint management fund established pursuant to this section, the recipients of moneys drawn from the fund shall keep such records as the head of the Federal agency responsible for administering the fund will prescribe. Such records shall, as a minimum, fully disclose the amount and disposition by such recipient of Federal assistance received under each program and appropriation, the total cost of the project in connection with which such Federal assistance was given or used, the amount of that portion of the cost of the project supplied by other sources, and such other records as will facilitate an effective audit.

(d) The head of the Federal agency responsible for administering such joint management fund and the Comptroller General, of the United States or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of such recipients that are pertinent to the moneys received from such fund.

(e) In the case of any project covered in a joint management fund, a single non-Federal share may be established according to the Federal share ratios applicable to the several Federal assistance programs

involved and the proportion of funds transferred to the project account from each of those programs.

#### AUXILIARY PROVISIONS

SEC. 9. Appropriations available to any Federal assistance program for technical assistance or the training of personnel may be made available for the provision of technical assistance and training in connection with projects proposed or approved for joint funding involving that program and any other Federal assistance program.

#### FEDERAL-STATE ASSISTANCE AND AGREEMENTS

SEC. 10. Subject to such regulations as the President may prescribe, Federal agencies may enter into agreements with States as appropriate to extend the benefits of this Act to projects involving assistance from one or more Federal agencies and one or more State agencies. These agreements may include arrangements for the processing of requests for, or the administration of, assistance to such projects on a joint basis.

#### REPORTING

SEC. 11. At least one year prior to the expiration of this Act, the President shall submit a comprehensive report to the Congress on actions taken under this Act, and make recommendations for its continuation, modification, or termination. The report shall provide a detailed evaluation of the functioning of this Act, including information regarding the benefits and costs of jointly funded projects accruing to the participating State and local governments and private, nonprofit organizations, and to the Federal Government.

#### DEFINITIONS

SEC. 12. As used in this Act—

(1) the term "Federal assistance programs" means programs that provide assistance through grant or contractual arrangements, but does not include assistance in the form of revenue sharing, loans, loan guarantees, or insurance;

(2) the term "applicant" means any State or local government or private, nonprofit organization acting separately or together in seeking assistance with respect to a single project;

(3) the term "project" means any undertaking, whether of a temporary or continuing nature that includes components proposed or approved for assistance under more than one Federal program, or one or more Federal and one or more State programs, if each of those components contributes materially to the accomplishment of a single purpose or closely related purposes;

(4) the term "Federal agency" means any agency, department, corporation, independent establishment, or other entity of the executive branch of the Government of the United States;

(5) the term "State" means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State, and any tribe as defined in section 3(c) of the Indian Financing Act (88 Stat. 77);



(6) the term "local government" means a local unit of government including a city, county, parish, town, township, village, school district, council of governments, or other agency or instrumentality of a local unit of government.

#### EFFECTIVE DATE AND EXPIRATION

SEC. 13. This Act shall become effective sixty days following the date of enactment, and shall expire five years following the date upon which it becomes effective; except that the expiration of this Act shall not affect the status of any project approved prior to the date of such expiration.

Approved December 5, 1974.

## APPROPRIATIONS ACTS

### EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATION ACT, 1978

[Public Law 95-119, 91 Stat. 1073]

AN ACT making appropriations for the Department of Housing and Urban Development, and for sundry independent executive agencies, boards, bureaus, commissions, corporations, and offices for the fiscal year ending September 30, 1978, and for other purposes.

\* \* \* \* \*

#### TITLE I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

##### HOUSING PROGRAMS

###### ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

The amount of contracts for annual contributions, not otherwise provided for, as authorized by section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), and heretofore approved in annual appropriations acts, is increased by \$1,159,995,000 of which not more than \$42,500,000 shall be for the modernization of existing low-income housing projects: *Provided*, That budget authority obligated under such contracts shall be increased above amounts heretofore provided in annual appropriations acts by \$31,483,563,000: *Provided further*, That of the total herein provided, excluding funds for modernization, not less than \$206,250,000 shall be used only for contracts for annual contributions to assist in financing the development or acquisition of low-income housing projects to be owned by public housing agencies and shall not be used for projects on which construction or substantial rehabilitation is commenced after the effective date of this Act, except in the case of amendments to existing contracts: *Provided further*, That of the amount set forth in the second proviso, not less than 15 per centum shall be used only with respect to new construction in non-metropolitan areas: *Provided further*, That not more than \$82,000,000 shall be used only for contracts in excess of 30 years with State housing finance or development agencies as defined in section 802(b) (2) (A) of the Housing and Community Development Act of 1974: *Provided further*, That any balances of authorities remaining at the end of fiscal year 1977 shall be added to and merged with the authority provided herein and made subject only to terms and conditions of law applicable to authorizations becoming available in fiscal year 1978 except that unutilized balances of set-asides contained in previous appropriations acts to assist in financing the development of or acquisition of low-income housing projects to be owned by public

## APPROPRIATIONS ACTS

housing agencies other than under section 8 of the above Act shall remain in effect during fiscal year 1978.

### HOUSING FOR THE ELDERLY OR HANDICAPPED

The limitation on the aggregate loans that may be made under section 202 of the Housing Act of 1959, as amended, from the fund authorized by subsection (a) (4) of such section, is hereby established for the fiscal year 1978 at \$750,000,000 in accordance with paragraph (C) of such subsection, which funds shall be available only to qualified nonprofit sponsors for the purpose of providing 100 per centum loans for the development of housing for the elderly or handicapped, with any cash equity of other financial commitments imposed as a condition of loan approval to be returned to the sponsor if sustaining occupancy is achieved in a reasonable period of time: *Provided*, That the full amount shall be available for permanent financing (including construction financing) for housing projects for the elderly or handicapped: *Provided further*, That the Secretary may borrow from the Secretary of the Treasury in such amounts as are necessary to provide the loans authorized herein: *Provided further*, That, notwithstanding any other provision of law, the receipts and disbursements of the aforesaid fund shall be included in the totals of the Budget of the United States Government.

### HOUSING PAYMENTS

For the payment of annual contributions, not otherwise provided for, in accordance with section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c); for payments authorized by title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.); for rent supplement payments authorized by section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. 1701s); for payments as authorized by sections 235 and 236, of the National Housing Act, as amended (12 U.S.C. 1715z, 1715z-1); and for payments as authorized by section 802 of the Housing and Community Development Act of 1974 (88 Stat. 633), \$4,382,000,000: *Provided*, That excess rental charges credited to the Secretary in accordance with section 236(g) of the National Housing Act, as amended, shall be available, in addition to amounts appropriated herein, for the payments on contracts entered into pursuant to the authorities enumerated above.

### PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

For payments to public housing agencies for operating subsidies for low-income housing projects as authorized by section 9 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437g), \$685,000,000.

### FEDERAL HOUSING ADMINISTRATION FUND

For reimbursement to the Federal Housing Administration Funds for losses incurred under the urban homesteading program (12 U.S.C. 1706e), \$15,000,000, to remain available until expended.



## APPROPRIATIONS ACTS

### COLLEGE HOUSING—LOANS AND OTHER EXPENSES

The aggregate amount of commitments for loans made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749), for the fiscal year 1978 shall not exceed the total of loan repayments and other income available during such period, less operating costs.

### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

#### SPECIAL ASSISTANCE FUNCTIONS

The aggregate amount of purchases and commitments authorized to be made pursuant to section 305 of the National Housing Act, as amended, out of recaptured Special Assistance Purchase authority may not exceed \$2,000,000,000.

#### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$16,587,000.

### COMMUNITY PLANNING AND DEVELOPMENT

#### COMMUNITY DEVELOPMENT GRANTS

For grants to States and units of general local government and for related expenses, not otherwise provided for, necessary for carrying out a community development grant program as authorized by title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. chapter 69), \$3,500,000,000, to remain available until September 30, 1980.

For grants to units of general local government pursuant to section 103(b) of title I of the Housing and Community Development Act of 1974, as amended, \$100,000,000, to remain available until September 30, 1980.

#### URBAN DEVELOPMENT ACTION GRANTS

For allocations and grants pursuant to section 103(c) of title I of the Housing and Community Development Act of 1974, as amended, \$400,000,000, to remain available until September 30, 1980.

#### COMPREHENSIVE PLANNING GRANTS

For comprehensive planning grants as authorized by section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$57,000,000, to remain available until expended.

## APPROPRIATIONS ACTS

### REHABILITATION LOAN FUND

The aggregate amount of commitments for loans made from the fund for fiscal year 1978 shall not exceed the total of loan repayments and other income available during such period, less operating costs, which aggregate shall be augmented by any previously appropriated funds which would otherwise become unavailable after September 30, 1977.

### FEDERAL INSURANCE ADMINISTRATION

#### FLOOD INSURANCE

For necessary expenses, not otherwise provided for in carrying out the National Flood Insurance Act of 1968, as amended (42 U.S.C. chap. 50), \$91,000,000.

### NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION

#### HOUSING COUNSELING ASSISTANCE

For contracts, grants, and other assistance, not otherwise provided for, of providing counseling and advice to tenants and homeowners—both current and prospective—with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and meeting the responsibilities of tenancy or homeownership, including provisions for training and for support of voluntary agencies and services as authorized by section 106(a)(1)(iii) and section 106(a)(2) of the Housing and Urban Development Act of 1968, as amended, \$5,000,000.

### POLICY DEVELOPMENT AND RESEARCH

#### RESEARCH AND TECHNOLOGY

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970, as amended (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, \$52,000,000, to remain available until September 30, 1979.

### MANAGEMENT AND ADMINISTRATION

#### SALARIES AND EXPENSES, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (INCLUDING TRANSFER OF FUNDS)

For necessary administrative and nonadministrative expenses of the Department of Housing and Urban Development, not otherwise provided for, including not to exceed \$2,500 for official reception and representation expenses, \$462,494,000 of which \$229,000,000 shall be provided from the various funds of the Federal Housing Administration.

# APPROPRIATIONS ACTS

## FUNDS APPROPRIATED TO THE PRESIDENT

### FEDERAL DISASTER ASSISTANCE ADMINISTRATION

#### DISASTER RELIEF

For expenses necessary to carry out the functions of the Department of Housing and Urban Development under the Disaster Relief Act of 1970, as amended, the Disaster Relief Act of 1974, and Reorganization Plan No. 1 of 1973, authorizing assistance to States and local governments, \$150,000,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

### TITLE II—INDEPENDENT AGENCIES

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#### NATIONAL INSTITUTE OF BUILDING SCIENCES

##### SALARIES AND EXPENSES

For necessary expenses of the National Institute of Building Sciences as authorized by Section 809 of the Housing and Community Development Act of 1974, as amended (12 U.S.C. 1701j-2), \$1,000,000.

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#### VETERANS ADMINISTRATION

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##### LOAN GUARANTY REVOLVING FUND

During the current fiscal year, the Loan guaranty revolving fund shall be available for expenses, but not to exceed \$575,000,000, for property acquisitions, payment of participation sales insufficiencies, and other loan guaranty and insurance operations under chapter 37, title 38, United States Code, except administrative expenses, as authorized by section 1824 of such title: *Provided*, That the unobligated balances including retained earnings of the Direct loan revolving fund shall be available, during the current fiscal year, for transfer to the Loan guaranty revolving fund in such amounts as may be necessary to provide for the timely payment of obligations of such fund and the Administrator of Veterans Affairs shall not be required to pay interest on amounts so transferred after the time of such transfer.

\* \* \* \* \*

#### ADMINISTRATIVE PROVISIONS

Not to exceed 5 per centum of any appropriation for the current fiscal year for "Compensation and pensions", "Readjustment benefits", and "Veterans insurance and indemnities" may be transferred to any other of the mentioned appropriations, but not to exceed 10 per centum of the appropriations so augmented.

Appropriations available to the Veterans Administration for the current fiscal year for salaries and expenses shall be available for services as authorized by 5 U.S.C. 3109.



## APPROPRIATIONS ACTS

No part of the appropriations in this Act for the Veterans Administration (except the appropriations for "Construction, major projects" and "Construction, minor projects") shall be available for the purchase of any site for or toward the construction of any new hospital or home.

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### TITLE III—CORPORATIONS

Corporations and agencies of the Department of Housing and Urban Development and the Federal Home Loan Bank Board which are subject to the Government Corporation Control Act, as amended, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Act as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency except as hereinafter provided: *Provided*, That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriation Acts), except that this proviso shall not apply to the mortgage insurance or guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government.

#### FEDERAL HOME LOAN BANK BOARD

##### LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES, FEDERAL HOME LOAN BANK BOARD

Not to exceed a total of \$16,730,000 shall be available for administrative expenses of the Federal Home Loan Bank Board, which may procure services as authorized by 5 U.S.C. 3109, and contracts for such services with one organization may be renewed annually, and uniforms or allowances therefor in accordance with law (5 U.S.C. 5901-5902), and said amount shall be derived from funds available to the Federal Home Loan Bank Board, including those in the Federal Home Loan Bank Board revolving fund and receipts of the Board for the current fiscal year and prior fiscal years, and the Board may utilize and may make payment for services and facilities of the Federal home loan banks, the Federal Reserve banks, the Federal Savings and Loan Insurance Corporation, the Federal Home Loan Mortgage Corporation, and other agencies of the Government (including payment for office space): *Provided*, That all necessary expenses in connection with the conservatorship or liquidation of institutions insured by the Federal Savings and Loan Insurance Corporation, liquidation or handling of assets of or derived from such insured institutions, payment of insurance, and action for or toward the avoidance, termination, or minimizing of losses in the case of such insured institutions, or activities relating to section 5A(f) or 6(i) of the Federal Home Loan Bank Act, section 5(d) of the Home Owners' Loan Act of 1933, section 12(i) of the Securities Exchange Act of 1934, or section 406(c), 407, or

## APPROPRIATIONS ACTS

408 of the National Housing Act and all necessary expenses (including services performed on a contract or fee basis, but not including other personal services) in connection with the handling, including the purchase, sale, and exchange, of securities on behalf of Federal home loan banks, and the sale, issuance, and retirement of, or payment of interest on, debentures or bonds, under the Federal Home Loan Bank Act, as amended, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That members and alternates of the Federal Savings and Loan Advisory Council shall be entitled to reimbursement from the Board as approved by the Board for transportation expenses incurred in attendance at meetings of or concerned with the work of such Council and may be paid in lieu of subsistence per diem not to exceed the dollar amount set forth in 5 U.S.C. 5703: *Provided further*, That expenses of any functions of supervision (except of Federal home loan banks) vested in or exercisable by the Board shall be considered as nonadministrative expenses: *Provided further*, That not to exceed \$1,000 shall be available for official reception and representation expenses: *Provided further*, That notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of the Board shall be incurred, allowed, and paid in accordance with the provisions of the Federal Home Loan Bank Act of July 22, 1932, as amended (12 U.S.C. 1421-1449): *Provided further*, That the nonadministrative expenses (except such part as the Board determines not to be field expense, which part shall be treated as if expenses of supervision and examination were not as such excluded from administrative expense, and except those included in the first proviso hereof) for the supervision and examination of Federal and State chartered institutions (other than special examinations determined by the Board to be necessary) shall not exceed \$26,230,000.

### LIMITATION ON ADMINISTRATIVE EXPENSES, FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Not to exceed \$870,000 shall be available for administrative expenses, which shall be on an accrual basis and shall be exclusive of interest paid, depreciation, properly capitalized expenditures, expenses in connection with liquidation of insured institutions or activities relating to section 406(c), 407, or 408 of the National Housing Act, liquidation or handling of assets of or derived from insured institutions, payment of insurance, and action for or toward the avoidance, termination, or minimizing of losses in the case of insured institutions, legal fees and expenses and payments for expenses of the Federal Home Loan Bank Board determined by said Board to be properly allocable to said Corporation, and said Corporation may utilize and may make payments for services and facilities of the Federal home loan banks, the Federal Reserve Banks, the Federal Home Loan Bank Board, the Federal Home Loan Mortgage Corporation, and other agencies of the Government: *Provided*, That notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of said Corporation shall be incurred, allowed, and paid in accordance with title IV of the Act of June 27, 1934, as amended (12 U.S.C. 1724-1730f).



## TITLE IV—GENERAL PROVISIONS

SEC. 401. Where appropriations in titles I and II of this Act are expendable for travel expenses of employees and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed the amounts set forth therefor in the budget estimates submitted for the appropriations: *Provided*, That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans Administration; or to payments to inter-agency motor pools where separately set forth in the budget schedules: *Provided further*, That the limitations may be increased by the Secretary when necessary to allow for travel performed by employees of the Department of Housing and Urban Development as a result of increased Federal Housing Administration inspection and appraisal workload.

SEC. 402. Appropriations and funds available for the administrative expenses of the Department of Housing and Urban Development and the Selective Service System shall be available in the current fiscal year for purchase of uniforms, or allowances therefor, as authorized by law (5 U.S.C. 5901-5902); hire of passenger motor vehicles; and services as authorized by 5 U.S.C. 3109.

SEC. 403. Funds of the Department of Housing and Urban Development subject to the Government Corporation Control Act or section 402 of the Housing Act of 1950 shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing Bank, Federal Reserve banks or any member thereof, Federal home loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811-1831).

SEC. 404. None of the funds provided in this Act may be used for payment, through grants or contracts, to recipients that do not share in the cost of conducting research resulting from proposals for projects not specifically solicited by the Government: *Provided*, That the extent of cost sharing by the recipient shall reflect the mutuality of interest of the grantee or contractor and the Government in the research.

SEC. 405. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 406. No part of the funds appropriated under this Act may be used by the Environmental Protection Agency to administer or promulgate, directly or indirectly, any program to tax, limit or otherwise regulate parking that is not specifically required pursuant to subsequent legislation.

SEC. 407. No funds appropriated by this Act may be expended—  
(1) pursuant to a certification of an officer or employee of the United States unless—

(A) such certification is accompanied by, or is part of, a voucher or abstract which describes the payee or payees and



the items or services for which such expenditure is being made, or

(B) the expenditure of funds pursuant to such certification, and without such a voucher or abstract, is specifically authorized by law; and

(2) unless such expenditure is subject to audit by the General Accounting Office or is specifically exempt by law from such an audit.

SEC. 408. No contract or budget authority provided in this Act for Annual Contributions for Assisted Housing, and no funds appropriated in this Act for Housing Payments, shall be subject to the Federal regulation defining the conditions under which two or more persons shall be eligible for admission to public housing as a family, which was promulgated by the Department of Housing and Urban Development on May 9, 1977, at 24 CFR § 812.2(d) (1).

SEC. 409. None of the funds provided in this Act may be used, directly or through grants, to pay or to provide reimbursement for payment of a consultant (whether retained by the Federal Government or a grantee) at more than the daily equivalent of the maximum rate paid for GS-18, unless specifically authorized by law.

SEC. 410. None of the funds provided in this Act to any department or agency may be expended for the transportation of any officer or employee of such department or agency between his domicile and his place of employment, with the exception of the Secretary of the Department of Housing and Urban Development, who, under title 5, United States Code, section 101, is exempted from such limitations.

This Act may be cited as the "Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1978".

Approved October 4, 1977.

## EXCERPTS FROM SUPPLEMENTAL APPROPRIATIONS ACT, 1977

[Public Law 95-26, 91 Stat. 61]

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### CHAPTER V—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PROGRAMS

##### ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

The additional amount of contracts for annual contributions provided under this heading in the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1977 (Public Law 94-378), is hereby increased, subject to the limitations contained therein, by \$413,143,000: *Provided*, That the total new budget authority provided under this heading in said Act is hereby increased by \$13,112,405,000: *Provided further*, That \$3,489,390,000 of such amount shall become available upon enactment into law of necessary authorizing legislation increasing the term of contracts permissible under said Act.

## APPROPRIATIONS ACTS

### HOUSING FOR THE ELDERLY OR HANDICAPPED

The limitation on the aggregate loans that may be made under section 202 of the Housing Act of 1959 from the fund authorized by subsection (a)(4) of such section for the fiscal year 1977 is hereby increased by \$100,000,000.

### HOUSING PAYMENTS

For an additional amount for "Housing payments", \$411,500,000.

### PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

For an additional amount for "Payment for operation of low-income housing projects", \$20,000,000.

### FEDERAL HOUSING ADMINISTRATION FUND

For an additional amount for Federal Housing Administration Fund, \$1,801,344,000, to remain available until expended: *Provided*, That \$15,000,000 shall be available for reimbursement to the Federal Housing Administration Funds for losses incurred under the urban homesteading program (12 U.S.C. 1706e).

### EMERGENCY HOMEOWNERS' RELIEF ACT

For emergency mortgage relief payments and for other expenses authorized by title I of the Emergency Housing Act of 1975 (Public Law 94-50), \$1,000,000.

\* \* \* \* \*

## CHAPTER IX—MILITARY CONSTRUCTION

### FAMILY HOUSING, DEFENSE

For an additional amount for Family housing, Defense, \$60,000,000 (and an increase of \$35,000,000 in the limitation on Department of Defense, operation, maintenance; an increase of \$15,000,000 in the limitation on Construction, Army; an increase of \$5,000,000 in the limitation on Construction, Navy and Marine Corps; and an increase of \$10,000,000 in the limitation on Construction, Air Force): *Provided*, That none of the funds appropriated herein shall be obligated until authorization for this appropriation is enacted.

\* \* \* \* \*

## CHAPTER XIV

\* \* \* \* \*

## TITLE II—INCREASED PAY COSTS FOR THE FISCAL YEAR 1977

For additional amounts for appropriation for the fiscal year 1977, for increased pay costs authorized by or pursuant to law, as follows:

\* \* \* \* \*

## DEPARTMENT OF AGRICULTURE

(INCLUDING TRANSFER OF FUNDS)

\* \* \* \* \*

## FARMERS HOME ADMINISTRATION

“Salaries and expenses”, \$5,836,000;

\* \* \* \* \*

## DEPARTMENT OF DEFENSE—MILITARY

\* \* \* \* \*

## FAMILY HOUSING

“Family Housing, Defense”, \$5,512,000 (and an increase of \$5,512,000 in the limitation on Department of Defense, operation, maintenance);

\* \* \* \* \*

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(INCLUDING TRANSFER OF FUNDS)

## MANAGEMENT AND ADMINISTRATION

“Salaries and expenses, Department of Housing and Urban Development”, \$12,363,000, of which \$6,735,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

\* \* \* \* \*

## OTHER INDEPENDENT AGENCIES

\* \* \* \* \*

## FEDERAL HOME LOAN BANK BOARD

“Limitation on nonadministrative expenses, Federal Home Loan Bank Board” (increase of \$900,000 in the limitation on nonadministrative expenses);

\* \* \* \* \*

## TITLE III—GENERAL PROVISIONS

SEC. 301. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 302. Except where specifically increased or decreased elsewhere in this Act, the restrictions contained within appropriations, or provisions affecting appropriations or other funds, available during the fiscal year 1977, limiting the amounts which may be expended for personal services, or for purposes involving personal services, or amounts which may be transferred between appropriations or authorizations available for or involving such services, are hereby in-



creased to the extent necessary to meet increased pay costs authorized by or pursuant to law.

SEC. 303. None of the funds made available under Title II of this Act shall be available for any purpose other than increased pay costs authorized by or pursuant to law.

SEC. 304. None of the funds appropriated or otherwise made available in this Act shall be obligated or expended for the termination or deferral of any project, activity, or weapons system approved by Congress, except specific projects, activities, or weapons systems for which, and to the extent, budget authority has been rescinded or deferred as provided by law.

\* \* \* \* \*

Approved May 4, 1977.

**EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDEPENDENT AGENCIES APPROPRIATION ACT, 1975**

[Public Law 93-414, 88 Stat. 1095]

AN ACT Making appropriations for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, corporations, and offices for the fiscal year ending June 30, 1975, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, corporations, and offices for the fiscal year ending June 30, 1975, and for other purposes, namely:

## APPROPRIATIONS ACTS

### TITLE I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PRODUCTION AND MORTGAGE CREDIT

##### SALARIES AND EXPENSES, HOUSING PRODUCTION AND MORTGAGE CREDIT PROGRAMS

For necessary administrative expenses of housing production and mortgage credit, not otherwise provided for \$13,233,000: *Provided*, That none of these administrative funds may be used for the administration of the section 23 leasing program, or any replacement program, unless the available, unused balance of contract authority under the section 236 program, or any replacement program, is made available for commitment concurrent with the making available for commitment of any contract authority under the section 23 program, or any replacement program.

#### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

##### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$22,883,000.

## APPROPRIATIONS ACTS

### HOUSING MANAGEMENT

#### HOUSING PAYMENTS

For the payment of annual contributions to public housing agencies in accordance with section 10 of the United States Housing Act of 1937, as amended (42 U.S.C. 1410); for payments authorized by title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.); for rent supplement payments authorized by section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. 1701s); and for homeownership and interest reduction payments as authorized by sections 235 and 236, of the National Housing Act, as amended (12 U.S.C. 1715z, 1715z-1), \$2,300,000,000, of which not less than \$450,000,000 shall be used only for the payment of operating subsidies to local housing authorities.

#### SALARIES AND EXPENSES, HOUSING MANAGEMENT PROGRAMS

For necessary administrative expenses of programs of housing management, not otherwise provided for, \$23,400,000: *Provided*, That administrative expenses in connection with the Revolving fund (liquidating programs) shall be exclusive of expenses necessary in the case of defaulted obligations to protect the interests of the Government.

### COMMUNITY PLANNING AND DEVELOPMENT

#### URBAN RENEWAL PROGRAMS

For grants for urban renewal, fiscal year 1975, as an additional amount for urban renewal programs, as authorized by title I of the Housing Act of 1949, as amended (42 U.S.C. 1450 et seq.), and section 314 of the Housing Act of 1954, as amended (42 U.S.C. 1452a), \$197,000,000, to remain available until expended: *Provided*, That no part of any appropriation in this Act shall be used for administrative expenses in connection with commitments for grants aggregating more than the total of amounts available in the current year from the amounts authorized for making such commitments through June 30, 1967, plus the additional amounts appropriated therefor.

#### MODEL CITIES PROGRAMS

For financial assistance in connection with planning and carrying out comprehensive city demonstration programs pursuant to title I of the Demonstration Cities and Metropolitan Development Act of 1966, as amended (42 U.S.C. 3301), \$123,375,000, to remain available until June 30, 1976, of which \$1,000,000 shall be available only for rehabilitation and redevelopment of the DeKalb County, Tennessee, model cities area devastated by recent tornado damage.



## APPROPRIATIONS ACTS

### COMPREHENSIVE PLANNING GRANTS

For comprehensive planning grants as authorized by section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$100,000,000, to remain available until expended.

### SALARIES AND EXPENSES, COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

For necessary administrative expenses of programs of community planning and development, not otherwise provided for, \$39,000,000.

### FEDERAL INSURANCE ADMINISTRATION

#### FLOOD INSURANCE

For necessary administrative expenses, not otherwise provided for, in carrying out the National Flood Insurance Act of 1968, as amended (42 U.S.C. Chap. 50), \$50,000,000.

### POLICY DEVELOPMENT AND RESEARCH

#### RESEARCH AND TECHNOLOGY

For contracts, grants and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, \$65,000,000, to remain available until June 30, 1976.

#### SALARIES AND EXPENSES, POLICY DEVELOPMENT AND RESEARCH

For necessary administrative expenses of programs of policy development and research, not otherwise provided for, \$6,130,000.

#### FAIR HOUSING AND EQUAL OPPORTUNITY

For expenses necessary to carry out the functions of the Secretary pursuant to title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601), and other equal opportunity and fair housing programs authorized by law, not otherwise provided for, \$11,543,000.

### DEPARTMENTAL MANAGEMENT

#### GENERAL DEPARTMENTAL MANAGEMENT

For necessary administrative expenses of the Secretary, not otherwise provided for, in overall program planning and direction in the Department, including not to exceed \$2,500 for official reception and representation expenses, \$5,413,000.

## APPROPRIATIONS ACTS

### SALARIES AND EXPENSES, OFFICE OF GENERAL COUNSEL

For necessary expenses of the Office of General Counsel, not otherwise provided for, \$3,425,000.

### SALARIES AND EXPENSES, OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General, not otherwise provided for, \$6,626,000.

### ADMINISTRATION AND STAFF SERVICES

For administrative expenses necessary in providing general administration and staff services within the Department, not otherwise provided for \$18,928,000.

### REGIONAL MANAGEMENT AND SERVICES

For necessary administrative expenses, not otherwise provided for, of management and program coordination in the regional offices of the Department, \$28,563,000.

### FEDERAL DISASTER ASSISTANCE ADMINISTRATION FUNDS APPROPRIATED TO THE PRESIDENT

#### DISASTER RELIEF

For expenses necessary to carry out the functions of the Department of Housing and Urban Development under the Disaster Relief Act of 1970, as amended, the Disaster Relief Act of 1974, and Reorganization Plan No. 1 of 1973, authorizing assistance to States and local governments in major disasters, \$200,000,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

## TITLE II—SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDEPENDENT AGENCIES

\* \* \* \* \*

### VETERANS ADMINISTRATION

\* \* \* \* \*

### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participation in Direct loan revolving fund assets or Loan guaranty revolving fund assets, authorized by the Independent Offices, and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302 (c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c)), \$1,828,000.

\* \* \* \* \*

## TITLE III—CORPORATIONS

The following corporations and agencies, respectively, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency except as hereinafter provided.

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES,  
FEDERAL HOUSING ADMINISTRATION

For administrative expenses in carrying out duties imposed by or pursuant to law, not to exceed \$13,803,000 of the various funds of the Federal Housing Administration shall be available, in accordance with the National Housing Act, as amended (12 U.S.C. 1701): *Provided*, That funds shall be available for contract actuarial services (not to exceed \$1,500): *Provided further*, That nonadministrative expenses classified by section 2 of Public Law 387, approved October 25, 1949, shall not exceed \$190,500,000.

LIMITATION ON ADMINISTRATIVE EXPENSES, GOVERNMENT  
NATIONAL MORTGAGE ASSOCIATION

Not to exceed \$8,080,000 shall be available for administrative expenses, which shall be on an accrual basis, and shall be exclusive of interest paid, expenses (including expenses for fiscal agency services performed on a contract or fee basis) in connection with the issuance and servicing of securities, depreciation, properly capitalized expenditures, fees for servicing mortgages, expenses (including services performed on a force account, contract or fee basis, but not including other personal services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said Association or in which it has an interest, cost of salaries, wages, travel, and other expenses of persons employed outside the continental United States, and all administrative expenses reimbursable from other Government agencies and from the Federal National Mortgage Association: *Provided*, That the distribution of administrative expenses to the accounts of the Association shall be made in accordance with generally recognized accounting principles and practices.

\* \* \* \* \*

## TITLE IV—GENERAL PROVISIONS

SEC. 401. Where appropriations in titles I and II of this Act as expendable for travel expenses of employees and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed the amounts set forth therefor in the budget estimates



submitted for the appropriations: *Provided*, That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans Administration; or to payments to inter-agency motor pools where separately set forth in the budget schedules.

SEC. 402. Appropriations and funds available for the administrative expenses of the Department of Housing and Urban Development and the Selective Service System shall be available in the current fiscal year for purchase of uniforms, or allowances thereof, as authorized by law (5 U.S.C. 5901-5902); hire of passenger motor vehicles; and services as authorized by 5 U.S.C. 3109.

SEC. 403. Funds made available for the Department of Housing and Urban Development under title III of this Act shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of Federal National Mortgage Association or Government National Mortgage Association, Federal reserve banks or any member thereof, Federal home loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811-1831).

SEC. 404. None of the funds provided in this Act may be used for payment, through grants or contracts, to recipients that do not share in the cost of conducting research resulting from proposals for projects not specifically solicited by the Government: *Provided*, That the extent of cost sharing by the recipient shall reflect the mutuality of interest of the grantee or contractor and the Government in the research.

SEC. 405. No part of any appropriation, funds, or other authority contained in this Act shall be available for paying to the Administrator of the General Services Administration in excess of 90 per centum of the standard level user charge established pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended, for space and services.

SEC. 406. No part of any appropriations contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

This Act may be cited as the "Department of Housing and Urban Development; Space, Science, Veterans, and Certain Other Independent Agencies Appropriation Act, 1975".

Approved September 6, 1974.

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## EXCERPTS FROM SUPPLEMENTAL APPROPRIATIONS ACT, 1975

[Public Law 93-554, 88 Stat. 1771]

AN ACT Making supplemental appropriations for the fiscal year ending June 30, 1975, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated out of any money in the Treasury not otherwise appropriated, to supply supplemental appropriations (this Act may be cited as the "Supplemental Appropriations Act, 1975") for the fiscal year ending June 30, 1975, and for other purposes, namely:

# TITLE I—CHAPTER I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## COMMUNITY PLANNING AND DEVELOPMENT

### COMMUNITY DEVELOPMENT

For contracts with and payments to States and units of general local government and for related expenses, not otherwise provided for, necessary for carrying out a community development grant program as authorized by Title I of the Housing and Community Development Act of 1974 (P.L. 93-383, 88 Stat. 633), \$2,125,000,000, to remain available until September 30, 1977: *Provided*, That upon the date funds become available for obligation under said title, there shall be transferred to and merged with appropriations and authority provided under this head, the uncommitted balances of funds provided for fiscal year 1975 for "Urban Renewal Programs" and "Model Cities Programs": *Provided further*, That there is hereby appropriated an additional \$50,000,000, to remain available until September 30, 1977, for urgent community development needs pursuant to section 103(b) of said title.

## HOUSING PRODUCTION AND MORTGAGE CREDIT

### HOUSING FOR THE ELDERLY OR HANDICAPPED

The limitation on the aggregate loans that may be made under section 202 of the Housing Act of 1959, as amended, from the fund created by subsection (a) (4) (A) of such section, in accordance with subsection (a) (4) (C) of such section as added by section 210(d) (3) of the Housing and Community Development Act of 1974, is hereby established in the fiscal year ending June 30, 1975, at a level of \$100,000,000 in addition to the unobligated balance of the amounts heretofore appropriated to or otherwise deposited in such fund as of the end of month after the enactment of this paragraph.

\* \* \* \* \*

## TITLE II—GENERAL PROVISIONS

SEC. 201. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 202. No part of any appropriation contained in this Act shall be available for paying to the Administrator of the General Services Administration in excess of 90 per centum of the standard level user charge established pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended, for space and services.

SEC. 203. No part of any appropriation contained in this Act or any other Act may be used to pay any expenses of any kind to send, ship, transmit, convey, or deliver any of the Presidential documents, written materials, or tape recordings of former President Richard M. Nixon from the custody of Federal officials or agencies now in possession of them until the passage by the Congress of legislation determining the disposition of said documents, written materials, and

tape recordings: *Provided*, That this limitation shall expire on June 30, 1975: *And provided further*, That this limitation shall not prevent compliance with subpoenas duly issued by State or Federal Courts or by the United States House of Representatives or the United States Senate.

SEC. 204. Notwithstanding any other provision of law, appropriations provided in this or any other Act which would otherwise expire on June 30 of the calendar year 1976, or on such date of any subsequent calendar year, shall remain available until September 30 of each such calendar year.

SEC. 205. None of the funds appropriated by this or any other Act which are available during the fiscal year 1975 for travel expenses, including subsistence allowances, of Government officers and employees may be obligated after the date of the enactment of this Act, at a rate for the balance of the fiscal year which exceeds 90 percent of the budget estimates for fiscal year 1975 for such expenses which were submitted for appropriations or otherwise provided by law: *Provided*, That none of the limitations on travel included in the regular appropriations for fiscal year 1975 shall be exceeded.

Approved December 27, 1974.

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## EXCERPTS FROM SECOND SUPPLEMENTAL APPROPRIATIONS ACT, 1975

[Public Law 94-32, 89 Stat. 173]

\* \* \* \* \*

### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### COMMUNITY DEVELOPMENT GRANTS

For grants to States and units of general local government, to be used only for expenses necessary for carrying out a community development grant program authorized by section 106(d) (2) of title I of the Housing and Community Development Act of 1974, \$54,625,000, to remain available until September 30, 1977.

\* \* \* \* \*

### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PRODUCTION AND MORTGAGE CREDIT

"Salaries and expenses, Housing production and mortgage credit programs", \$440,000;

"Limitation on administrative expenses, Federal Housing Administration" (increase of \$427,000 in the limitation on administrative expenses);

"Limitation on administrative expenses, Government National Mortgage Association" (increase of \$33,000 in the limitation on administrative expenses);

#### HOUSING MANAGEMENT

"Salaries and expenses, Housing management programs", \$697,000;



COMMUNITY PLANNING AND DEVELOPMENT

"Salaries and expenses, Community planning and development programs", \$1,219,000;

POLICY DEVELOPMENT AND RESEARCH

"Salaries and expenses, Policy development and research", \$190,000;

FAIR HOUSING AND EQUAL OPPORTUNITY

"Fair housing and equal opportunity", \$344,000;

DEPARTMENTAL MANAGEMENT

"General departmental management", \$134,000;

"Salaries and expenses, Office of general counsel", \$123,000;

"Salaries and expenses, Office of inspector general", \$196,000;

"Administration and staff services", \$327,000;

"Regional management and services", \$671,000;

\* \* \* \* \*

TITLE III—GENERAL PROVISIONS

SEC. 301. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 302. Except where specifically increased or decreased elsewhere in this Act, the restrictions contained within appropriations, or provisions affecting appropriations or other funds, available during the fiscal year 1975, limiting the amounts which may be expended for personal services, or for purposes involving personal services, or amounts which may be transferred between appropriations or authorizations available for or involving such services, are hereby increased to the extent necessary to meet increased pay costs authorized by or pursuant to law.

\* \* \* \* \*

Approved June 12, 1975.

EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDEPENDENT AGENCIES APPROPRIATION ACT, 1974

[Public Law 93-137, 87 Stat. 491]

AN ACT Making appropriations for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, and corporations for the fiscal year ending June 30, 1974, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent

## APPROPRIATIONS ACTS

executive agencies, boards, commissions, and corporations for the fiscal year ending June 30, 1974, and for other purposes, namely:

### TITLE I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PRODUCTION AND MORTGAGE CREDIT

##### SALARIES AND EXPENSES, HOUSING PRODUCTION AND MORTGAGE CREDIT PROGRAMS

For necessary administrative expenses of housing production and mortgage credit, not otherwise provided for, \$5,120,000.

#### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

##### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$19,821,000.

#### HOUSING MANAGEMENT

##### HOUSING PAYMENTS

For the payment of annual contributions to public housing agencies in accordance with section 10 of the United States Housing Act of 1937, as amended (42 U.S.C. 1410); for payments authorized by title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.); for rent supplement payments authorized by section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. 1701s); and for homeownership and interest reduction payments as authorized by sections 235 and 236, of the National Housing Act, as amended (12 U.S.C. 1715z, 1715z-1), \$2,020,000,000, of which, not less than \$280,000,000 shall be used only for the payment of operating subsidies to local housing authorities.

##### SALARIES AND EXPENSES, HOUSING MANAGEMENT PROGRAMS

For necessary administrative expenses of programs of housing management, not otherwise provided for, \$23,900,000: *Provided*, That administrative expenses in connection with the Revolving fund (liquidating programs) shall be exclusive of expenses necessary in the case of defaulted obligations to protect the interests of the Government.

## APPROPRIATIONS ACTS

### COMMUNITY PLANNING AND MANAGEMENT

#### COMPREHENSIVE PLANNING GRANTS

For comprehensive planning grants as authorized by section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$75,000,000, to remain available until expended.

#### SALARIES AND EXPENSES, COMMUNITY PLANNING AND MANAGEMENT PROGRAMS

For necessary administrative expenses of programs of community planning and management, not otherwise provided for, \$10,134,000.

### COMMUNITY DEVELOPMENT

#### MODEL CITIES PROGRAMS

For financial assistance in connection with planning and carrying out comprehensive city demonstration programs, as authorized by title I of the Demonstration Cities and Metropolitan Development Act of 1966, as amended (42 U.S.C. 3301), \$150,000,000, to remain available until June 30, 1975.

#### URBAN RENEWAL PROGRAMS

For grants for urban renewal, fiscal year 1974, as an additional amount for urban renewal programs, as authorized by title I of the Housing Act of 1949, as amended (42 U.S.C. 1450 et seq.), and section 314 of the Housing Act of 1954, as amended (42 U.S.C. 1452a), \$600,000,000, to remain available until expended: *Provided*, That no part of any appropriation in this Act shall be used for administrative expenses in connection with commitments for grants aggregating more than the total of amounts available in the current year from the amounts authorized for making such commitments through June 30, 1967, plus the additional amounts appropriated therefor.

#### OPEN SPACE LAND PROGRAMS

For grants as authorized by title VII of the Housing Act of 1961, as amended (42 U.S.C. 1500-1500e), and the provision of technical assistance to State and local public bodies, \$25,000,000, to remain available until expended: *Provided*, That no part of this appropriation may be used for financing a grant in excess of 50 per centum of the cost of any activity or project, except that grants made pursuant to section 706 of the Housing Act of 1961, as amended (42 U.S.C. 1500), may be made in an amount not to exceed 75 per centum.

#### SALARIES AND EXPENSES, COMMUNITY DEVELOPMENT PROGRAMS

For necessary administrative expenses of programs of community development, not otherwise provided for, \$22,413,000.

### FEDERAL INSURANCE ADMINISTRATION

#### FLOOD INSURANCE

For necessary administrative expenses, not otherwise provided for, in carrying out the National Flood Insurance Act of 1968, as amended (42 U.S.C. Chap. 50), \$20,000,000.



## APPROPRIATIONS ACTS

### RESEARCH AND TECHNOLOGY

For contracts, grants and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, \$65,000,000, to remain available until June 30, 1975: *Provided*, That not to exceed \$3,925,000 of the foregoing amount shall be available for administrative expenses.

### FAIR HOUSING AND EQUAL OPPORTUNITY

For expenses necessary to carry out the functions of the Secretary pursuant to title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601), section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and Executive Orders 11063 (27 Fed. Reg. 11527), 11246, as amended (30 Fed. Reg. 12319, 32 Fed. Reg. 14303), 11625 (36 Fed. Reg. 19967), and 11478 (34 Fed. Reg. 12985), \$9,546,000.

### DEPARTMENTAL MANAGEMENT

#### GENERAL DEPARTMENTAL MANAGEMENT

For necessary administrative expenses of the Secretary, not otherwise provided for, in overall program planning and direction in the Department, including not to exceed \$2,500 for official reception and representation expenses, \$6,042,000.

#### SALARIES AND EXPENSES, OFFICE OF GENERAL COUNSEL

For necessary expenses of the Office of General Counsel, not otherwise provided for, \$3,166,000.

#### SALARIES AND EXPENSES, OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General, not otherwise provided for, \$6,534,000.

#### ADMINISTRATION AND STAFF SERVICES

For administrative expenses necessary in providing general administration and staff services within the Department, not otherwise provided for, \$11,460,000.

#### REGIONAL MANAGEMENT AND SERVICES

For necessary administrative expenses, not otherwise provided for, of management and program coordination in the regional offices of the Department, \$19,780,000.

## TITLE II—SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDEPENDENT AGENCIES

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## APPROPRIATIONS ACTS

### VETERANS ADMINISTRATION

\* \* \* \* \*

#### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in Direct loan revolving fund assets or Loan guaranty revolving fund assets, authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c)), \$4,400,000.

\* \* \* \* \*

### TITLE III—CORPORATIONS

The following corporations and agencies, respectively, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency except as hereinafter provided:

#### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

##### LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES, FEDERAL HOUSING ADMINISTRATION

For administrative expenses in carrying out duties imposed by or pursuant to law, not to exceed \$15,080,000 of the various funds of the Federal Housing Administration shall be available, in accordance with the National Housing Act, as amended (12 U.S.C. 1701): *Provided*, The funds shall be available for contract actuarial services (not to exceed \$1,500): *Provided further*, That nonadministrative expenses classified by section 2 of Public Law 387, approved October 25, 1949, shall not exceed \$175,851,000.

##### LIMITATION ON ADMINISTRATIVE EXPENSES, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Not to exceed \$7,750,000 shall be available for administrative expenses, which shall be on an accrual basis, and shall be exclusive of interest paid, expenses (including expenses for fiscal agency services performed on a contract or fee basis) in connection with the issuance and servicing of securities, depreciation, properly capitalized expenditures, fees for servicing mortgages, expenses (including services performed on a force account, contract or fee basis, but not including other personal services) in connection with the acquisition,

protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said Association or in which it has an interest, cost of salaries, wages, travel, and other expenses of persons employed outside of the continental United States, and all administrative expenses reimbursable from other Government agencies and from the Federal National Mortgage Association: *Provided*, That the distribution of administrative expenses to the accounts of the Association shall be made in accordance with generally recognized accounting principles and practices.

\* \* \* \* \*

#### TITLE IV—GENERAL PROVISIONS

SEC. 401. Where appropriations in titles I and II of this Act are expendable for travel expenses of employees and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed the amounts set forth therefor in the budget estimates submitted for the appropriations: *Provided*, That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans Administration; or to payments to inter-agency motor pools where separately set forth in the budget schedules.

SEC. 402. Appropriations and funds available for the administrative expenses of the Department of Housing and Urban Development and the Selective Service System shall be available in the current fiscal year for purchase of uniforms, or allowances thereof, as authorized by law (5 U.S.C. 5901–5902); hire of passenger motor vehicles; and services as authorized by 5 U.S.C. 3109.

SEC. 403. Funds made available for the Department of Housing and Urban Development under title III of this Act shall be available without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of Federal National Mortgage Association or Government National Mortgage Association, Federal Reserve banks or any member thereof, Federal home loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811–1831).

SEC. 404. None of the funds provided in this Act may be used for payment, through grants or contracts, to recipients that do not share in the cost of conducting research resulting from proposals for projects not specifically solicited by the Government: *Provided*, That the extent of cost sharing by the recipient shall reflect the mutuality of interest of the grantee or contractor and the Government in the research.

SEC. 405. Notwithstanding any other provision of this Act, not to exceed \$425,000 of the amount herein made available for the Federal Communications Commission may be used for land and structures.

SEC. 406. No part of any appropriations contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

This Act may be cited as the “Department of Housing and Urban Development; Space, Science, Veterans, and Certain Other Independent Agencies Appropriation Act, 1974”.

Approved October 26, 1973.



EXCERPTS FROM AGRICULTURE-ENVIRONMENTAL AND CONSUMER  
PROTECTION APPROPRIATION ACT, 1974

[Public Law 93-135, 87 Stat. 468]

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## PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For payment to the Government National Mortgage Association, as trustee, such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations authorized by Title II, Public Law 90-113, issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c)), such sums as may be necessary, to be available without fiscal year limitations.

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## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## GRANTS FOR BASIC WATER AND SEWER FACILITIES

For grants authorized by section 702 of the Housing and Urban Development Act of 1965 (42 U.S.C. 3102), \$400,000,000, to remain available until expended, which shall be derived from the unexpended balance of amounts appropriated under this head in Public Law 92-73 and continued to be available by Public Law 92-399: *Provided*, That \$100,000,000 of these funds shall be available for transfer to the Environmental Protection Agency to fund storm and combined sewer projects for the Great Lakes area.

Approved October 24, 1973.

EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOP-  
MENT; SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDE-  
PENDENT AGENCIES APPROPRIATION ACT, 1973

[Public Law 92-383, 86 Stat. 540]

## RENT SUPPLEMENT PROGRAM

The limitation otherwise applicable to the maximum payments that may be required in any fiscal year by all contracts entered into under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) is increased by \$48,000,000: *Provided*, That no part of the foregoing contract authority shall be used for incurring any obligation in connection with any dwelling unit or project which is not either part of a workable program for community improvement meeting the requirements of section 101(c) of the Housing Act of 1949, as amended (42 U.S.C. 1451(c)), or which is without local official approval for participation in this program.

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## DISASTER ASSISTANCE

SEC. 406. The Secretary of Housing and Urban Development is authorized to establish a fund and to transfer to such fund from appropriations or funds available to the Department of Housing and Urban

## APPROPRIATIONS ACTS

Development, such amounts as may be necessary to provide disaster assistance for which the Secretary has been requested by the Director of the Office of Emergency Preparedness to make resources available pursuant to the authority of the Disaster Relief Act of 1970 (84 Stat. 1744).

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Approved August 14, 1972.

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## EXCERPTS FROM THE INDEPENDENT OFFICES APPROPRIATION ACT, 1955

[Public Law 83-428, 68 Stat. 272, 295]

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### TITLE II—CORPORATIONS

The following corporations and agencies, respectively, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the Budget for the fiscal year 1955 for each such corporation or agency, except as hereinafter provided:

#### HOUSING AND HOME FINANCE AGENCY

Federal National Mortgage Association: Not to exceed \$3,238,000 shall be available for administrative expenses, which shall be on an accrual basis, and shall be exclusive of interest paid, depreciation, properly capitalized expenditures, fees for serving mortgages, expenses (including services performed on a force account, contract, or fee basis, but not including other person services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said Association or in which it has an interest, cost of salaries, wages, travel, and other expenses of persons employed outside of the continental United States, expenses of services performed on a contract or fee basis in connection with the performance of legal services, and all administrative expenses reimbursable from other Government agencies; and said Association may utilize and may make payment for services and facilities of the Federal Reserve banks and other agencies of the Government: *Provided*, That the distribution of administrative expenses to the accounts of the Association shall be made in accordance with generally recognized accounting principles and practices: *Provided further*, That not to exceed \$87,750 shall be available for expenses of travel: *Provided further*, That administrative expenses not under limitation for the purposes set forth in the budget schedules for the fiscal year 1955 shall not exceed \$150,000.

Office of the Administrator, housing loans to educational institutions: Not to exceed \$375,000 shall be available for all administrative

expenses, which shall be on an accrual basis, of carrying out the functions of the Office of the Administrator under the program of housing loans to educational institutions (title IV of the Housing Act of 1950, 12 U.S.C. 1749-1749d), but this amount shall be exclusive of payment for services and facilities of the Federal Reserve banks or any member thereof, the Federal home-loan banks, and any insured bank within the meaning of the Act creating the Federal Deposit Insurance Corporation (Act of August 23, 1935, as amended, 12 U.S.C. 264) which has been designated by the Secretary of the Treasury as a depository of public money of the United States: *Provided*, That not to exceed \$19,000, shall be available for expenses of travel.

Office of the Administrator, revolving fund (liquidating programs): There is established as of June 30, 1954, a revolving fund, and the Administrator is authorized to credit said fund with all moneys hereafter obtained or now held by him or by any constituent agency of the Housing and Home Finance Agency by any other official thereof, and to account under said fund for all assets and liabilities, in connection with (1) community facilities provided or assisted under title II of the Lanham Act, as amended (42 U.S.C. 1531-1534), or under title III of the Defense Housing and Community Facilities and Services Act of 1951, as amended (42 U.S.C. 1592-1592n); (2) loans or advances made pursuant to title V of the War Mobilization and Reconversion Act of 1944 (58 Stat. 791), or the Act of October 13, 1949 (40 U.S.C. 451-458); (3) functions transferred under Reorganization Plan No. 23 of 1950 (5 U.S.C. 133z-15, note), or authorized under sections 102, 102a, 102b, and 102c of the Housing Act of 1948, as amended (12 U.S.C. 1701g-1701g-3); (4) notes or other obligations purchased pursuant to the Alaska Housing Act, as amended (48 U.S.C. 484 (a)); (5) subsistence homesteads and greentowns (Acts of June 29, 1936, 49 Stat. 2035, and May 19, 1949, 63 Stat. 68); (6) public war housing under title I of the Lanham Act, as amended (42 U.S.C. 1521-1524), and defense housing under title III of the Defense Housing and Community Facilities and Services Act of 1951, as amended (42 U.S.C. 1592-1592n); and (7) veterans' re-use housing under title V of the Lanham Act, as amended (42 U.S.C. 1571-1575): *Provided*, That said fund shall be available for all necessary expenses (including administrative expenses) in connection with the liquidation of the programs carried out pursuant to the foregoing provisions of law, including operation, maintenance, improvement, or disposition of facilities, and for disbursements pursuant to outstanding commitments against moneys herein authorized to be credited to said fund, repayment of obligations to the Treasury, and refinancing and refunding operations on existing loans: *Provided further*, That any amount in said fund which is determined to be in excess of requirements for the purposes hereof shall declared and paid as liquidating dividends to the Treasury not less often than annually: *Provided further*, That during the current fiscal year not to exceed \$3,940,000 shall be available for administrative expenses (including not to exceed \$265,000 for travel) for the foregoing purposes, but this amount shall be exclusive of costs of services performed on a contract or fee basis in connection with termination of contracts and legal services on a contract or fee basis and of payment for services and facilities of the Federal Reserve banks or any member thereof, any servicer approved by the Federal



## APPROPRIATIONS ACTS

National Mortgage Association, the Federal home-loan banks, and any insured bank within the meaning of the Act of August 23, 1935, as amended, creating the Federal Deposit Insurance Corporation (12 U.S.C. 264) which has been designated by the Secretary of the Treasury as a depository of public money of the United States: *Provided further*, That after the effective date of this Act no additional notes or obligations shall be purchased from funds appropriated pursuant to the Alaska Housing Act, as amended (48 U.S.C. 484 (d)), except for the furtherance or refinancing of an existing loan: *Provided further*, That except for extensions, or refinancing, of existing obligations the authority to issue obligations to the Secretary of the Treasury under section 1 (4) of Reorganization Plan No. 23 of 1950 (5 U.S.C. 1332-15, note), shall terminate on June 30, 1954: *Provided further*, That all expenses, not otherwise specifically limited in this Act, in connection with the programs administered pursuant to the foregoing provisions of law shall not exceed \$20,000,000.

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Approved June 24, 1954.

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### EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATION ACT, 1977

[Public Law 94-378, 90 Stat. 1095]

AN ACT Making appropriations for the Department of Housing and Urban Development, and for sundry independent executive agencies, boards, bureaus, commissions, corporations, and offices for the fiscal year ending September 30, 1977, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Housing and Urban Development, and for sundry independent executive agencies, boards, bureaus, commissions, corporations, and offices for the fiscal year ending September 30, 1977, and for other purposes, namely:

#### TITLE I

### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PROGRAMS

##### ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

The additional amount of contracts for annual contributions, not otherwise provided for, as authorized by section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), entered into after September 30, 1976, shall not exceed \$675,000,000 including not more than \$35,000,000 for the modernization of existing low-income housing projects, which amounts shall be in addition to balances of authorization heretofore made available for such contracts: *Provided*, That the

## APPROPRIATIONS ACTS

total new budget authority obligated under such contracts entered into after September 30, 1976, shall not exceed \$14,870,400,000, which amount shall not include budget authority obligated under balances of authorization heretofore made available: *Provided further*, That of the total herein provided, excluding funds for modernization, not more than \$120,000,000 shall be used only for contracts for annual contributions to assist in financing the development or acquisition of low-income housing projects to be owned by public housing agencies other than under section 8 of the above Act: *Provided further*, That of the amount set forth in the second proviso, not more than \$85,000,000 shall be used only for projects on which construction or substantial rehabilitation is commenced after the effective date of this Act except in the case of amendments to existing contracts: *Provided further*, That of the amount set forth in the second proviso, not less than 15 per centum shall be used only with respect to new construction in non-metropolitan areas.

### HOUSING FOR THE ELDERLY OR HANDICAPPED

The limitation on the aggregate loans that may be made under section 202 of the Housing act of 1959, as amended, from the fund authorized by subsection (a) (4) of such section, is hereby established for the fiscal year 1977 at \$750,000,000 in accordance with paragraph (C) of such subsection, which funds shall be available only to qualified nonprofit sponsors for the purpose of providing 100 per centum loans for the development of housing for the elderly or handicapped, with any cash equity or other financial commitments imposed as a condition of loan approval to be returned to the sponsor if sustaining occupancy is achieved in a reasonable period of time: *Provided*, That the full amount shall be available for permanent financing (including construction financing) for housing projects for the elderly or handicapped: *Provided further*, That the Secretary may borrow from the Secretary of the Treasury in such amounts as are necessary to provide the loans authorized herein.

### HOUSING PAYMENTS

For the payment of annual contributions, not otherwise provided for, in accordance with section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c); for payments authorized by title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.); for rent supplement payments authorized by section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. 1701s); for payments as authorized by sections 235 and 236, of the National Housing Act, as amended (12 U.S.C. 1715z, 1715z-1); and for payments as authorized by section 802 of the Housing and Community Development Act of 1974 (88 Stat. 633), \$2,975,000,000: *Provided*, That excess rental charges credited to the Secretary in accordance with section 236(g) of the National Housing Act, as amended, shall be available, in addition to amounts appropriated herein, for the payments on contracts entered into pursuant to the authorities enumerated above.

## APPROPRIATIONS ACTS

### PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

For annual contributions to public housing agencies for the payment of operating subsidies for low-income housing projects as authorized by section 9 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437g), \$575,600,000: *Provided*, That the aggregate amount of contracts for annual contributions entered into for such payments shall not exceed \$575,600,000.

### MOBILE HOME STANDARDS PROGRAM

For necessary expenses, not otherwise provided for, to carry out the National Mobile Home Construction and Safety Standards Act of 1974 (42 U.S.C. 5401-5426), \$1,000,000.

### FEDERAL HOUSING ADMINISTRATION FUND

For payment to cover losses, not otherwise provided for, sustained by the Special Risk Insurance Fund and the General Insurance Fund, \$135,000,000, to remain available until expended, as authorized by the National Housing Act, as amended.

### HOUSING COUNSELING ASSISTANCE

For contracts, grants, and other assistance, not otherwise provided for, of providing counseling and advice to tenants and homeowners—both current and prospective—with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and meeting the responsibilities of tenancy or homeownership, including provisions for training and for support of voluntary agencies and services as authorized by section 106(a)(1)(iii) and section 106(a)(2) of the Housing and Urban Development Act of 1968, as amended, \$3,000,000.

### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

#### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$21,265,000.



## APPROPRIATIONS ACTS

### COMMUNITY PLANNING AND DEVELOPMENT

#### COMMUNITY DEVELOPMENT GRANTS

For contracts with and payments to States and units of general local government and for related expenses, not otherwise provided for, necessary for carrying out a community development grant program as authorized by Title I of the Housing and Community Development Act of 1974 (P.L. 93-383, 88 Stat. 633), \$3,148,000,000 of which \$200,000,000 shall be used for the purposes stated in section 103(a) (2) of said Act except that not more than \$100,000,000 of the amount so provided may be used for the purposes of section 106 (d) (1), to remain available until September 30, 1979.

For grants to units of general local government for urgent community development needs pursuant to section 103(b) of Title I of the Housing and Community Development Act of 1974, \$100,000,000, to remain available until September 30, 1979.

#### COMPREHENSIVE PLANNING GRANTS

For comprehensive planning grants as authorized by section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$62,500,000, to remain available until expended.

#### REHABILITATION LOAN FUND

For the revolving fund established pursuant to section 312 of the Housing Act of 1964, as amended (42 U.S.C. 1452b), \$50,000,000, which amount shall be augmented by any previously appropriated funds which would otherwise become unavailable after August 22, 1976: *Provided*, That the aggregate amount of commitments for loans made from the fund for the fiscal year 1977 shall not exceed the total of loan repayments and other income available during such period, less operating costs, plus the aggregate amount provided herein.

### FEDERAL INSURANCE ADMINISTRATION

#### FLOOD INSURANCE

For necessary expenses, not otherwise provided for in carrying out the National Flood Insurance Act of 1968, as amended (42 U.S.C. Chap. 50), \$75,000,000.

### POLICY DEVELOPMENT AND RESEARCH

#### RESEARCH AND TECHNOLOGY

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban

Development Act of 1970, as amended (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, \$55,000,000, to remain available until September 30, 1978.

# MANAGEMENT AND ADMINISTRATION

## SALARIES AND EXPENSES, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

For necessary administrative and nonadministrative expenses of the Department of Housing and Urban Development, not otherwise provided for, including not to exceed \$2,500 for official reception and representation expenses, \$419,000,000, of which \$223,630,000 shall be provided from the various funds of the Federal Housing Administration.

## FUNDS APPROPRIATED TO THE PRESIDENT

### FEDERAL DISASTER ASSISTANCE ADMINISTRATION

#### DISASTER RELIEF

For expenses necessary to carry out the functions of the Department of Housing and Urban Development under the Disaster Relief Act of 1970, as amended, the Disaster Relief Act of 1974, and Reorganization Plan No. 1 of 1973, authorizing assistance to States and local governments, \$100,000,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

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## TITLE III

### CORPORATIONS

The following corporations and agencies, respectively, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency except as herein-after provided.

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## TITLE IV

### GENERAL PROVISIONS

SEC. 401. Where appropriations in titles I and II of this Act are expendable for travel expenses of employees and no specific limitation

has been placed thereon, the expenditures for such travel expenses may not exceed ten per centum above the amounts set forth therefor in the budget estimates submitted for the appropriations: *Provided*, That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans Administration; or to payments to interagency motor pools where separately set forth in the budget schedules: *Provided further*, That the limitations may be increased by the Secretary when necessary to allow for travel performed by employees of the Department of Housing and Urban Development as a result of increased Federal Housing Administration inspection and appraisal workload.

SEC. 402. Appropriations and funds available for the administrative expenses of the Department of Housing and Urban Development and the Selective Service System shall be available in the current fiscal year for purchase of uniforms, or allowances therefor, as authorized by law (5 U.S.C. 5901-5902); hire of passenger motor vehicles; and services as authorized by 5 U.S.C. 3109.

SEC. 403. Funds of the Department of Housing and Urban Development subject to the Government Corporation Control Act or section 403 of the Housing Act of 1950 shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing Bank, Federal Reserve banks or any member thereof, Federal home loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811-1831).

SEC. 404. None of the funds provided in this Act may be used for payment, through grants or contracts, to recipients that do not share in the cost of conducting research resulting from proposals for projects not specifically solicited by the Government: *Provided*, That the extent of cost sharing by the recipient shall reflect the mutuality of interest of the grantee or contractor and the Government in the research.

SEC. 405. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 406. No part of the funds appropriated under this Act may be used by the Environmental Protection Agency to administer or promulgate, directly or indirectly, any program to tax, limit or otherwise regulate parking that is not specifically required pursuant to subsequent legislation.

SEC. 407. None of the funds provided by this Act shall be used to deny or fail to act upon, on the basis of noise contours set forth in an Air Installation Compatible Use Zone Map, an otherwise acceptable application for Federal Housing Administration mortgage insurance in connection with construction<sup>1</sup> in an area zoned for residential use in Merced County, California.

SEC. 408. No funds appropriated by this Act may be expended—

<sup>1</sup> So in original.



(1) pursuant to a certification of an officer or employee of the United States unless—

(A) such certificate is accompanied by, or is part of a voucher or abstract which describes the payee or payees and the items or services for which such expenditure is being made, or

(B) the expenditure of funds pursuant to such certification, and without such a voucher or abstract, is specifically authorized by law; and

(2) unless such expenditure is subject to audit by the General Accounting Office or is specifically exempt by law from such an audit.

This Act may be cited as the "Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1977".

Approved August 9, 1976.

## EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1976

[Public Law 94-116, 89 Stat. 581]

AN ACT Making appropriations for the Department of Housing and Urban Development, and for sundry independent executive agencies, boards, bureaus, commissions, corporations, and offices for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Housing and Urban Development, and for sundry independent executive agencies, boards, bureaus, commissions, corporations, and offices for the fiscal year ending June 30, 1976, the period ending September 30, 1976, and for other purposes, namely:

### TITLE I

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### HOUSING PROGRAMS

#### EMERGENCY HOMEOWNERS' RELIEF FUND

For emergency mortgage relief payments and for other expenses of the Emergency Homeowners' Relief Fund, as authorized by title I of the Emergency Housing Act of 1975 (Public Law 94-50), \$35,000,000, to remain available until September 30, 1976.

#### STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES

For interest grant payments pursuant to section 802(c)(2) of the Housing and Community Development Act of 1974 (88 Stat. 722), \$15,000,000, to remain available until September 30, 1976: *Provided*,

## APPROPRIATIONS ACTS

That the total of contracts for annual payments entered into under such section shall not exceed \$15,000,000: *Provided further*, That the total new budget authority obligated under such contracts entered into after June 30, 1975, shall not exceed \$600,000,000.

### ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

The additional amount of contracts for annual contributions, not otherwise provided for, as authorized by section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), entered into after June 30, 1975, shall not exceed \$662,300,000, which amount shall be in addition to balances of authorization heretofore made available for such contracts: *Provided*, That the total new budget authority obligated under such contracts entered into after June 30, 1975, shall not exceed \$17,000,000,000, which amount shall not include budget authority obligated under balances of authorization heretofore made available: *Provided further*, That at least \$50,000,000 of the new contract authority herein made available shall be used only for contracts for annual contributions to assist in financing the development or acquisition of low-income housing projects to be owned by public housing agencies other than under section 8 of the above Act: *Provided further*, That not less than 50 per centum of the funds made available by this Act which are used pursuant to section 8 of the above Act shall be allocated to contracts to make assistance payments with respect to newly constructed or substantially rehabilitated housing: *And provided further*, That in fiscal year 1976 and the period ending September 30, 1976, the fair market rent basis of contracts approved pursuant to section 8 of the above Act shall not exceed by more than 10 per centum in the aggregate, or 20 per centum in individual market areas, those published in the Federal Register through September 8, 1975.

### RENT SUPPLEMENTAL PROGRAM

The limitation otherwise applicable to the maximum payments that may be required in any fiscal year by all contracts entered into under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) is increased by \$20,000,000.

### HOUSING FOR THE ELDERLY OR HANDICAPPED

The limitation on the aggregate loans that may be made under section 202 of the Housing Act of 1959, as amended, from the fund authorized by subsection (a) (4) of such section, is hereby established for the fiscal year 1976 through the period ending September 30, 1976, at \$375,000,000 in accordance with paragraph (C) of such subsection, which funds shall be available only to qualified nonprofit sponsors for the purpose of providing 100 per centum loans for the development of housing for the elderly or handicapped, with any cash equity or other financial commitments imposed as a condition of loan approval to be returned to the sponsor if sustaining occupancy is achieved in a reasonable period of time: *Provided*, That the full amount shall be available for permanent financing (including construction financing) for housing projects for the elderly or handicapped.

## APPROPRIATIONS ACTS

### HOUSING PAYMENTS

For the payment of annual contributions, not otherwise provided for, in accordance with section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c); for payments authorized by title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.); for rent supplement payments authorized by section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. 1701s); and for payments as authorized by sections 235 and 236, of the National Housing Act, as amended (12 U.S.C. 1715z, 1715z-1), \$2,245,000,000.

For "Housing payments" for the period July 1, 1976, through September 30, 1976, \$600,000,000.

### PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

For annual contributions to public housing agencies for the payment of operating subsidies for low-income housing projects as authorized by section 9 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437g), \$535,000,000: *Provided*, That the aggregate amount of contracts for annual contributions entered into for such payments shall not exceed \$535,000,000.

For "Payments for operation of low-income housing projects" for the period July 1, 1976, through September 30, 1976, \$80,000,000: *Provided*, That the aggregate amount of contracts for such payments shall not exceed \$80,000,000.

### SALARIES AND EXPENSES, HOUSING PROGRAMS

For necessary administrative expenses, not otherwise provided for, and for nonadministrative expenses as classified by section 1 of the National Housing Act, as amended (12 U.S.C. 1701), in carrying out programs of housing production and mortgage credit and housing management, \$199,000,000, of which \$158,650,000 shall be provided by transfer from the various funds of the Federal Housing Administration: *Provided*, That administrative expenses in connection with the Revolving fund (liquidating programs) shall be exclusive of expenses necessary in the case of defaulted obligations to protect the interests of the Government.

For "Salaries and expenses, housing programs" for the period July 1, 1976, through September 30, 1976, \$49,800,000, of which \$39,850,000 shall be provided by transfer from the various funds of the Federal Housing Administration.

### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

#### EMERGENCY MORTGAGE PURCHASE ASSISTANCE

The total amount of purchases and commitments authorized to be made pursuant to section 313 of the National Housing Act, as amended (12 U.S.C. 1723e; 88 Stat. 1364; Public Law 94-50), shall not exceed \$5,000,000,000 outstanding at any one time, which amount



## APPROPRIATIONS ACTS

shall be in addition to balances of authorization heretofore made available for purchases and commitments pursuant to said section and which shall continue available after October 18, 1975: *Provided*, That the Association may borrow from the Secretary of the Treasury in accordance with said section, in such amounts as are necessary to carry out the purposes and requirements of said section as authorized herein.

### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$20,935,000.

For "Payment of participation sales insufficiencies" for the period July 1, 1976, through September 30, 1976, \$5,291,000.

### COMMUNITY PLANNING AND DEVELOPMENT

#### REHABILITATION LOAN FUND

For the revolving fund established pursuant to section 312 of the Housing Act of 1964, as amended (42 U.S.C. 1452b), \$50,000,000, to remain available until August 22, 1976.

#### COMMUNITY DEVELOPMENT GRANTS AND TRANSFER OF UNEXPENDED BALANCE

For contracts with and payments to States and units of general local government and for related expenses, not otherwise provided for, necessary for carrying out a community development grant program as authorized by Title I of the Housing and Community Development Act of 1974 (P.L. 93-383, 88 Stat. 633), \$2,700,000,000, of which \$964,000,000 shall be derived by transfer from the unexpended balance of budget authority provided by section 401(d)(1) of the Housing Act of 1950, as amended (12 U.S.C. 1749(d)(1)), which shall be treated the same as other budget authority provided by this paragraph, to remain available until September 30, 1978.

For grants to States and units of general local government, to be used only for expenses necessary for carrying out a community development grant program authorized by Section 106(d)(2) of Title I of the Housing and Community Development Act of 1974, \$52,000,000, to remain available until September 30, 1978.

For grants to units of general local government for urgent community development needs pursuant to section 103(b) of Title I of the Housing and Community Development Act of 1974, \$50,000,000, to remain available until September 30, 1978.

## APPROPRIATIONS ACTS

### COMPREHENSIVE PLANNING GRANTS

For comprehensive planning grants as authorized by section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$75,000,000, to remain available until expended.

### SALARIES AND EXPENSES, COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

For necessary administrative expenses of programs of community planning and development, not otherwise provided for, \$41,740,000.

For "Salaries and expenses, community planning and development programs" for the period July 1, 1976, through September 30, 1976, \$10,500,000.

### FEDERAL INSURANCE ADMINISTRATION

#### FLOOD INSURANCE

For necessary administrative expenses, not otherwise provided for, in carrying out the National Flood Insurance Act of 1968, as amended (42 U.S.C. Chap. 50), \$75,000,000.

For "Flood insurance" for the period July 1, 1976, through September 30, 1976, \$18,750,000.

### OFFICE OF INTERSTATE LAND SALES REGISTRATION

#### INTERSTATE LAND SALES

For necessary expenses of carrying out the Interstate Land Sales Full Disclosure Act (15 U.S.C. 1720), not otherwise provided for, \$2,726,000.

For "Interstate land sales" for the period July 1, 1976, through September 30, 1976, \$645,000.

### POLICY DEVELOPMENT AND RESEARCH

#### RESEARCH AND TECHNOLOGY

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970, as amended, (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, \$53,000,000, to remain available until September 30, 1977: *Provided*, That \$400,000 of the foregoing amount shall be used only for a grant to the Housing Assistance Council: *Provided further*, That \$1,000,000 of the foregoing amount shall be used only for mobile home construction and safety standard activities.

For "Research and technology" for the period July 1, 1976, through September 30, 1976, \$15,500,000, to remain available until September 30, 1977.

## APPROPRIATIONS ACTS

### SALARIES AND EXPENSES, POLICY DEVELOPMENT AND RESEARCH

For necessary administrative expenses of programs of policy development and research, not otherwise provided for, \$6,765,000.

For "Salaries and expenses, policy development and research" for the period July 1, 1976, through September 30, 1976, \$1,700,000.

### FAIR HOUSING AND EQUAL OPPORTUNITY

For expenses necessary to carry out the functions of the Secretary pursuant to title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601), and other equal opportunity and fair housing programs authorized by law, not otherwise provided for, \$12,735,000.

For "Fair housing and equal opportunity" for the period July 1, 1976, through September 30, 1976, \$3,265,000.

### DEPARTMENTAL MANAGEMENT

#### GENERAL DEPARTMENTAL MANAGEMENT

For necessary administrative expenses of the Secretary, not otherwise provided for, in overall program planning and direction in the Department including not to exceed \$2,500 for official reception and representation expenses, \$5,905,000.

For "General departmental management" for the period July 1, 1976, through September 30, 1976, including not to exceed \$625 for official reception and representation expenses, \$1,510,000.

### SALARIES AND EXPENSES, OFFICE OF GENERAL COUNSEL

For necessary expenses of the Office of General Counsel, not otherwise provided for, \$5,089,000, of which \$1,750,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).

For "Salaries and expenses, Office of General Counsel" for the period July 1, 1976, through September 30, 1976, \$1,319,000, of which \$465,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).

### SALARIES AND EXPENSES, OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General, not otherwise provided for, \$10,280,000, of which \$3,035,000 shall be provided by transfer from the various funds of the Federal Housing Administration as provided by the National Housing Act (12 U.S.C. 1701).

For "Salaries and expenses, Office of Inspector General" for the period July 1, 1976, through September 30, 1976, \$2,615,000, of which \$810,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).



## APPROPRIATIONS ACTS

### ADMINISTRATION AND STAFF SERVICES

For administrative expenses necessary in providing general administration and staff services within the Department, not otherwise provided for, \$53,125,000, of which \$31,092,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).

For "Administration and staff services" for the period July 1, 1976, through September 30, 1976, \$12,803,000, of which \$7,195,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).

### REGIONAL MANAGEMENT AND SERVICES

For necessary administrative expenses, not otherwise provided for, of management and program coordination in the regional offices of the Department, \$40,500,000, of which \$15,580,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).

For "Regional management and services" for the period July 1, 1976, through September 30, 1976, \$10,000,000, of which \$3,905,000 shall be provided by transfer from the various funds of the Federal Housing Administration, as provided by the National Housing Act (12 U.S.C. 1701).

## FUNDS APPROPRIATED TO THE PRESIDENT

### FEDERAL DISASTER ASSISTANCE ADMINISTRATION

#### DISASTER RELIEF

For expenses necessary to carry out the functions of the Department of Housing and Urban Development under the Disaster Relief Act of 1970, as amended, the Disaster Relief Act of 1974, and Reorganization Plan No. 1 of 1973, authorizing assistance to States and local governments, \$150,000,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

For "Disaster relief" for the period July 1, 1976, through September 30, 1976, \$37,500,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

## TITLE II

### INDEPENDENT AGENCIES

\* \* \* \* \*

## TITLE III

### CORPORATIONS

The following corporations and agencies, respectively, are hereby authorized to make such expenditures, within the limits of funds and

borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency except as hereinafter provided.

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### LIMITATION ON ADMINISTRATIVE EXPENSES, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Not to exceed \$1,240,000 shall be available for administrative expenses, which shall be on an accrual basis, and shall be exclusive of interest paid, expenses (including expenses for fiscal agency services performed on a contract or fee basis) in connection with the issuance and servicing of securities, depreciation, properly capitalized expenditures, fees for servicing mortgages, expenses (including services performed on a force account, contract or fee basis, but not including other personal services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said Association or in which it has an interest, cost of salaries, wages, travel, and other expenses of persons employed outside the continental United States, and all administrative expenses reimbursable from other Government agencies and from the Federal National Mortgage Association: *Provided*, That the distribution of administrative expenses to the accounts of the Association shall be made in accordance with generally recognized accounting principles and practices.

For the period July 1, 1976, through September 30, 1976, not to exceed \$350,000 shall be available for administrative expenses.

\* \* \* \* \*

## TITLE IV

### GENERAL PROVISIONS

SEC. 401. Where appropriations in title I and II of this Act are expendable for travel expenses of employees and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed ten per centum above the amounts set forth therefor in the budget estimates submitted for the appropriations: *Provided*, That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans Administration; or to payments to interagency motor pools where separately set forth in the budget schedules: *Provided further*, That the limitation may be increased by the Secretary when necessary to allow for travel performed by employees of the Department of Housing and Urban Development as a result of increased Federal Housing Administration inspection and appraisal workload.

SEC. 402. Appropriations and funds available for the administrative expenses of the Department of Housing and Urban Development and the Selective Service System shall be available in the current fiscal year for purchase of uniforms, or allowances therefor, as authorized by law (5 U.S.C. 5901-5902); hire of passenger motor vehicles; and services as authorized by 5 U.S.C. 3109.

SEC. 403. Funds made available for the Department of Housing and Urban Development under title III of this Act shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing Bank, Federal Reserve banks or any member thereof, Federal home loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811-1831).

SEC. 404. None of the funds provided in this Act may be used for payment, through grants or contracts, to recipients that do not share in the cost of conducting research resulting from proposals for projects not specifically solicited by the Government: *Provided*, That the extent of cost sharing by the recipient shall reflect the mutuality of interest of the grantee or contractor and the Government in the research.

SEC. 405. No part of any appropriation, funds, or other authority contained in this Act shall be available for paying to the Administrator of the General Services Administration in excess of 90 per centum of the standard level user charge established pursuant to section 210 (j) of the Federal Property and Administrative Services Act of 1949, as amended, for space and services.

SEC. 406. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein, except as provided in Section 204 of the Supplemental Appropriation Act, 1975 (P.L. 93-554).

SEC. 407. No part of the funds appropriated under this Act may be used by the Environmental Protection Agency to administer or promulgate, directly or indirectly, any program to tax, limit or otherwise regulate parking that is not specifically required pursuant to subsequent legislation.

SEC. 408. None of the funds provided by this Act shall be used to deny or fail to act upon, on the basis of noise contours set forth in an Air Installation Compatible Use Zone Map, an otherwise acceptable application for Federal Housing Administration mortgage insurance in connection with construction in an area zoned for residential use in Merced County, California.

SEC. 409. No funds appropriated by this Act may be expended—

(1) pursuant to a certification of an officer or employee of the United States unless—

(A) such certification is accompanied by, or is part of, a voucher or abstract which describes the payee or payees and the items or services for which such expenditure is being made, or

(B) the expenditure of funds pursuant to such certification, and without such a voucher or abstract, is specifically authorized by law; and



(2) unless such expenditure is subject to audit by the General Accounting Office or is specifically exempt by law from such an audit.

This Act may be cited as the "Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1976".

Approved October 17, 1975.

## AUTHORIZATION OF APPROPRIATIONS

[Public Law 94-144 [H.R. 6692]; Dec. 9, 1975]

AN ACT To authorize appropriations for the period July 1, 1976, through September 30, 1976.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That there are authorized to be appropriated for the period July 1, 1976, through September 30, 1976, such sums as may be necessary to conduct programs and activities for which funding was authorized on June 30, 1976: *Provided*, That this Act shall not affect any other law authorizing appropriations for the period July 1, 1976, through September 30, 1976.

Approved December 9, 1975.

## EXCERPTS FROM SUPPLEMENTAL APPROPRIATIONS ACT, 1976

[Public Law 94-157, 89 Stat. 826]

AN ACT Making supplemental appropriations for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated out of any money in the Treasury not otherwise appropriated to supply supplemental appropriations (this Act may be cited as the "Supplemental Appropriations Act, 1976") for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes, namely:

\* \* \* \* \*

## CHAPTER II

### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PROGRAMS

##### FEDERAL HOUSING ADMINISTRATION FUND

For payment to cover actual losses sustained by the Special Risk Insurance Fund, \$100,000,000; and for payment to cover actual losses under the General Insurance Fund from mortgages insured under section 221(d)(3) with below-market interest rates, \$42,500,000; to

remain available until expended, as authorized by the National Housing Act, as amended (12 U.S.C. 1715z-3; 12 U.S.C. 1715l).

\* \* \* \* \*

## TITLE II

### GENERAL PROVISIONS

SEC. 201. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein, except as provided in section 204 of the Supplemental Appropriation Act, 1975 (Public Law 93-554).

SEC. 202. No part of any appropriation, funds, or other authority contained in this Act shall be available for paying to the Administrator of the General Services Administration in excess of 90 per centum of the standard level user charge established pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended, for space and services.

SEC. 203. No part of the funds appropriated by this Act shall be used during the fiscal year ending June 30, 1976 to make food stamps available to any household, to the extent that the entitlement otherwise available to such household is attributable to an individual who: (i) has reached his eighteenth birthday; (ii) is enrolled in an institution of higher education; and (iii) is properly claimed as a dependent child for Federal income tax purposes by a taxpayer who is not a member of an eligible household.

SEC. 205. (a) It is the sense of Congress that the President, through the Director of the Office of Management and Budget, shall take immediate steps to restrain the inflationary impact of Federal expenditures and to conserve the use of energy by ordering a reduction of Federal travel expenditures not to exceed 10 percent.

(b) These steps shall include such provisions as are necessary to insure that such reductions are allocated so as not to disrupt the provision of vital governmental services or the organized troop movement of military personnel.

(c) The President is requested to submit to Congress, within 30 days of adoption of this section by the Senate and the House of Representatives a report outlining his actions.

Approved December 18, 1975.

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### EXCERPTS FROM SECOND SUPPLEMENTAL APPROPRIATION ACT, 1976

[Public Law 94-303, 90 Stat. 597]

AN ACT Making supplemental appropriations for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sums are appropriated out of any money in the Treasury not otherwise appropriated to supply supplemental appropriations (this Act may

## APPROPRIATIONS ACTS

be cited as the "Second Supplemental Appropriations Act, 1976") for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes, namely:

\* \* \* \* \*

### TITLE I

\* \* \* \* \*

## CHAPTER IV—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### HOUSING PROGRAMS

#### HOUSING FOR THE ELDERLY OR HANDICAPPED

The limitation on the aggregate loans that may be made through September 30, 1976, under section 202 of the Housing Act of 1959, as amended, is hereby increased by \$375,000,000.

#### MOBILE HOME STANDARDS PROGRAM

For necessary expenses, not otherwise provided for, to carry out the National Mobile Home Construction and Safety Standards Act of 1974 (42 U.S.C. 5401-5426), to remain available until September 30, 1976, \$1,000,000.

#### FEDERAL HOUSING ADMINISTRATION FUND

For reimbursement to the Federal Housing Administration Fund for losses incurred under the urban homesteading demonstration, \$5,000,000, as authorized by Section 810 of the Housing and Community Development Act of 1974 (12 U.S.C. 1706e), to remain available until September 30, 1977.

\* \* \* \* \*

### TITLE II—INCREASED PAY COSTS FOR THE FISCAL YEAR 1976

For additional amounts for appropriations for the fiscal year 1976, for increased pay costs authorized by or pursuant to law, as follows:

\* \* \* \* \*

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### (INCLUDING TRANSFER OF FUNDS)

#### HOUSING PROGRAMS

"Salaries and expenses, Housing programs", \$5,819,000, of which \$4,853,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Limitation on administrative expenses, Government National Mortgage Association" (increase of \$33,000 in the limitation on administrative expenses);



## APPROPRIATIONS ACTS

### COMMUNITY PLANNING AND DEVELOPMENT

"Salaries and expenses, Community planning and development programs", \$1,280,000;

### OFFICE OF INTERSTATE LAND SALES REGISTRATION

"Interstate land sales", \$71,000;

### POLICY DEVELOPMENT AND RESEARCH

"Salaries and expenses, Policy development and research", \$190,000;

### FAIR HOUSING AND EQUAL OPPORTUNITY

"Fair housing and equal opportunity", \$372,000;

### DEPARTMENTAL MANAGEMENT

"General departmental management", \$133,000;

"Salaries and expenses, Office of general counsel", \$152,000, of which \$50,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Salaries and expenses, Office of inspector general", \$314,000, of which \$97,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Administration and staff services", \$944,000, of which \$633,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Regional management and services", \$594,000, of which \$62,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

\* \* \* \* \*

## TITLE III—INCREASED PAY COSTS FOR THE PERIOD JULY 1, 1976, THROUGH SEPTEMBER 30, 1976

For additional amounts for appropriations for the period July 1, 1976, through September 30, 1976, for increased pay costs authorized by or pursuant to law, as follows:

\* \* \* \* \*

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### (INCLUDING TRANSFER OF FUNDS)

#### HOUSING PROGRAMS

"Salaries and expenses, Housing programs", \$2,188,000, of which \$1,771,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Limitation on administrative expenses, Government National Mortgage Association" (increase of \$12,000 in the limitation on administrative expenses);

## COMMUNITY PLANNING AND DEVELOPMENT

"Salaries and expenses, Community planning and development programs", \$449,000;

## OFFICE OF INTERSTATE LAND SALES REGISTRATION

"Interstate land sales", \$23,000;

## POLICY DEVELOPMENT AND RESEARCH

"Salaries and expenses, Policy development and research", \$68,000;

## FAIR HOUSING AND EQUAL OPPORTUNITY

"Fair housing and equal opportunity", \$134,000;

## DEPARTMENTAL MANAGEMENT

"General departmental management", \$47,000;

"Salaries and expenses, Office of general counsel", \$55,000, of which \$19,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Salaries and expenses, Office of inspector general", \$112,000, of which \$36,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Administration and staff services", \$335,000, of which \$225,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

"Regional management and services", \$200,000, of which \$21,000 shall be provided by transfer from the various funds of the Federal Housing Administration;

\* \* \* \* \*

## TITLE IV

## GENERAL PROVISIONS

SEC. 401. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein, except as provided in section 204 of the Supplemental Appropriation Act, 1975 (P.L. 93-554).

SEC. 402. Except where specifically increased or decreased elsewhere in this Act, the restrictions contained within appropriations, or provisions affecting appropriations or other funds, available during the fiscal year 1976 and the period July 1, 1976, through September 30, 1976, limiting the amounts which may be expended for personal services, or for purposes involving personal services, or amounts which may be transferred between appropriations or authorizations available for or involving such services, are hereby increased to the extent necessary to meet increased pay costs authorized by or pursuant to law.

\* \* \* \* \*

Approved June 1, 1976.

## APPROPRIATIONS ACTS

EXCERPT FROM SECOND SUPPLEMENTAL APPROPRIATIONS ACT OF 1978 <sup>1</sup>

### DEPARTMENT OF HOUSING AND URBAN

#### DEVELOPMENT

##### HOUSING PROGRAMS

###### RENT SUPPLEMENT PROGRAM

The limitation otherwise applicable to the maximum payments that may be required by all contracts entered into under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) is increased by \$24,300,000: *Provided*, That budget authority obligated under such contracts shall be limited to \$24,300,000.

\* \* \* \* \*

#### MANAGEMENT AND ADMINISTRATION

##### (INCLUDING TRANSFER OF FUNDS)

"Salaries and expenses, Department of Housing and Urban Development", \$20,969,000, including not to exceed \$500 for official reception and representation expenses, of which \$10,929,000 shall be provided by transfer from the various funds of the Federal Housing Administration and \$6,000,000 shall be provided by transfer from the appropriation for "Flood insurance";

### EXCERPTS FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT— INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1979 <sup>2</sup>

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1979, and for other purposes, namely:

#### TITLE I

### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

#### HOUSING PROGRAMS

##### ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

The amount of contracts for annual contributions, not otherwise provided for, as authorized by section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), and heretofore approved in annual appropriations acts, is increased by \$1,322,297,000 of which not more than \$50,000,000 shall be for the modernization of existing

<sup>1</sup> Public Law 95-355, 92 Stat. 523, approved September 8, 1978.

<sup>2</sup> Public Law 95-392, 92 Stat. 791, September 30, 1978.



## APPROPRIATIONS ACTS

low-income housing projects: *Provided*, That budget authority obligated under such contracts shall be increased above amounts heretofore provided in annual appropriations acts by \$24,395,848,000: *Provided further*, That any balances of authorities remaining at the end of fiscal year 1978 shall be added to and merged with the authority provided herein and made subject only to terms and conditions of law applicable to authorizations becoming available in fiscal year 1979.

### HOUSING PAYMENTS

For the payment of annual contributions, not otherwise provided for, in accordance with section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c); for payments authorized by title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.); for rent supplement payments authorized by section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. 1701s); for payments as authorized by sections 235 and 236, of the National Housing Act, as amended (12 U.S.C. 1715z, 1715z-1); and for payments as authorized by section 802 of the Housing and Community Development Act of 1974 (42 U.S.C. 1440), \$4,460,000,000.

### HOUSING FOR THE ELDERLY OR HANDICAPPED FUND

The limitation on the aggregate loans that may be made under section 202 of the Housing Act of 1959, as amended (12 U.S.C. 1701q), from the fund authorized by subsection (a)(4) of such section, is increased by \$800,000,000, together with any portion of loan limitations established for fiscal years beginning after June 30, 1975 which was not administratively committed or which becomes uncommitted, in accordance with paragraph (C) of such subsection, which funds shall be available only to qualified nonprofit sponsors for the purpose of providing 100 per centum loans for the development of housing for the elderly or handicapped, with any cash equity or other financial commitments imposed as a condition of loan approval to be returned to the sponsor if sustaining occupancy is achieved in a reasonable period of time: *Provided*, That the full amount shall be available for permanent financing (including construction financing) for housing projects for the elderly or handicapped: *Provided further*, That the Secretary may borrow from the Secretary of the Treasury in such amounts as are necessary to provide the loans authorized herein: *Provided further*, That, notwithstanding any other provision of law, the receipts and disbursements of the aforesaid fund shall be included in the totals of the Budget of the United States Government.

### CONGREGATE SERVICES PROGRAM

For contracts with and payments to public housing agencies and nonprofit corporations for congregate service programs as authorized by the Congregate Housing Services Act of 1978, \$10,000,000, to remain available until September 30, 1984.

### PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

For payments to public housing agencies for operating subsidies for low-income housing projects as authorized by section 9 of the United

## APPROPRIATIONS ACTS

States Housing Act of 1937, as amended (42 U.S.C. 1437g), \$727,000,000.

### TROUBLED PROJECTS OPERATING SUBSIDY

For assistance payments to owners of eligible multifamily housing projects, in the program of operating subsidies for troubled multifamily housing projects under the Housing and Community Development Amendments of 1978, \$74,000,000 together with any excess rental charges collected after September 30, 1977, to remain available until September 30, 1980.

### FEDERAL HOUSING ADMINISTRATION FUND

For payment to cover losses, not otherwise provided for, sustained by the Special Risk Insurance Fund and the General Insurance Fund, \$352,290,000, to remain available until expended, as authorized by the National Housing Act, as amended (12 U.S.C. 1715z-3(b) and 1735c(f)).

### COLLEGE HOUSING—LOANS AND OTHER EXPENSES

The aggregate amount of commitments for loans made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749), for the fiscal year 1979 shall not exceed the total of loan repayments and other income available during such period, less operating costs.

### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

#### EMERGENCY MORTGAGE PURCHASE ASSISTANCE

The aggregate amount of purchases and commitments authorized to be made pursuant to section 313 of the National Housing Act, as amended (12 U.S.C. 1723e), out of recaptured Emergency Mortgage Purchase Assistance authority, is increased by \$1,000,000,000.

#### SPECIAL ASSISTANCE FUNCTIONS FUND

The aggregate amount of purchases and commitments authorized to be made pursuant to section 305 of the National Housing Act, as amended (12 U.S.C. 1720), is further increased by \$2,000,000,000, of which \$1,500,000,000 may be out of recaptured Special Assistance Purchase authority.

#### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the Government National Mortgage Association as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717), \$20,477,000.

## APPROPRIATIONS ACTS

### COMMUNITY PLANNING AND DEVELOPMENT

#### COMMUNITY DEVELOPMENT GRANTS

For grants to States and units of general local government and for related expenses, not otherwise provided for, necessary for carrying out a community development grant program as authorized by title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301), \$3,650,000,000, to remain available until September 30, 1981: *Provided*, That not to exceed 20 per centum of any grant made pursuant to section 103(a) of title I of the Housing and Community Development Act of 1974, as amended, shall be expended for "Planning and Management Development" and "Administration" as defined at 24 CFR §§ 570.205 and 570.206, respectively, promulgated by the Department of Housing and Urban Development on March 1, 1978.

For grants to units of general local government pursuant to section 103(b) of title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301), \$100,000,000, to remain available until September 30, 1981.

#### URBAN DEVELOPMENT ACTION GRANTS

For grants pursuant to section 103(c) of title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301), \$400,000,000, to remain available until September 30, 1981.

#### COMPREHENSIVE PLANNING GRANTS

For grants as authorized by section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$53,000,000, to remain available until expended.

#### REHABILITATION LOAN FUND

For the revolving fund established pursuant to section 312 of the Housing Act of 1964, as amended (42 U.S.C. 1452b), \$230,000,000, which shall be merged with all unobligated funds previously appropriated therefor, to remain available until expended: *Provided*, That the aggregate amount of commitments for loans made from the fund for fiscal year 1979 shall not exceed the total of loan repayments, appropriations, and other income available during such period, less operating costs, which aggregate shall be augmented by any previously appropriated funds which would otherwise become unavailable after September 30, 1978.

#### URBAN HOMESTEADING

For reimbursement to the Federal Housing Administration Funds for losses incurred under the urban homesteading program (12 U.S.C. 1706e), \$20,000,000, to remain available until expended.

#### FEDERAL INSURANCE ADMINISTRATION

##### FLOOD INSURANCE

For necessary expenses, not otherwise provided for, in carrying out the National Flood Insurance Act of 1968, as amended (42 U.S.C. 4127), \$85,000,000.



## APPROPRIATIONS ACTS

### NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION

#### HOUSING COUNSELING ASSISTANCE

For contracts, grants, and other assistance, not otherwise provided for, for providing counseling and advice to tenants and homeowners—both current and prospective—with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and meeting the responsibilities of tenancy or homeownership, including provisions for training and for support of voluntary agencies and services as authorized by section 106(a) (1) (iii) and section 106(a) (2) of the Housing and Urban Development Act of 1968, as amended, \$9,000,000.

#### POLICY DEVELOPMENT AND RESEARCH

##### RESEARCH AND TECHNOLOGY

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970, as amended (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a) (1) (i) of Reorganization Plan No. 2 of 1968, \$57,500,000, to remain available until September 30, 1980.

#### MANAGEMENT AND ADMINISTRATION

##### SALARIES AND EXPENSES, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (INCLUDING TRANSFER OF FUNDS)

For necessary administrative and nonadministrative expenses of the Department of Housing and Urban Development, not otherwise provide for, including not to exceed \$3,000 for official reception and representation expenses, \$524,065,000, of which \$250,255,000 shall be provided from the various funds of the Federal Housing Administration.

### FUNDS APPROPRIATED TO THE PRESIDENT

#### FEDERAL DISASTER ASSISTANCE ADMINISTRATION

##### DISASTER RELIEF

For necessary expenses in carrying out the functions of the Department of Housing and Urban Development under the Disaster Relief Act of 1970, as amended (42 U.S.C. 4401), the Disaster Relief Act of 1974, as amended (42 U.S.C. 5202), and Reorganization Plan No. 1 of 1973 (50 U.S.C. 2271), authorizing assistance to States and local governments, \$200,000,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

\* \* \* \* \*

## APPROPRIATIONS ACTS

### TITLE III CORPORATIONS

Corporations and agencies of the Department of Housing and Urban Development and the Federal Home Loan Bank Board which are subject to the Government Corporation Control Act, as amended, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Act as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency except as hereinafter provided: *Provided*, That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriation Acts), except that this proviso shall not apply to the mortgage insurance or guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government.

#### FEDERAL HOME LOAN BANK BOARD

##### LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES, FEDERAL HOME LOAN BANK BOARD

Not to exceed a total of \$17,793,000 shall be available for administrative expenses of the Federal Home Loan Bank Board, which may procure services as authorized by 5 U.S.C. 3109, and contracts for such services with one organization may be renewed annually, and uniforms or allowances therefor in accordance with law (5 U.S.C. 5901-5902), and said amount shall be derived from funds available to the Federal Home Loan Bank Board, including those in the Federal Home Loan Bank Board revolving fund and receipts of the Board for the current fiscal year and prior fiscal years, and the Board may utilize and may make payment for services and facilities of the Federal home loan banks, the Federal Reserve banks, the Federal Savings and Loan Insurance Corporation, the Federal Home Loan Mortgage Corporation, and other agencies of the Government (including payment for office space) : *Provided*, That all necessary expenses in connection with the conservatorship or liquidation of institutions insured by the Federal Savings and Loan Insurance Corporation, liquidation or handling of assets of or derived from such insured institutions, payment of insurance, and action for or toward the avoidance, termination, or minimizing of losses in the case of such insured institutions, or activities relating to section 5A(f) or 6(i) of the Federal Home Loan Bank Act, section 5(d) of the Home Owners' Loan Act of 1933, section 12(i) of the Securities Exchange Act of 1934, or section 406(c), 407, or 408 of the National Housing Act and all necessary expenses (including services performed on a contract or fee basis, but not including other personal services) in connection with the handling, including the purchase, sale, and exchange, of securities on behalf of Federal home loan banks, and the sale, issuance, and retirement of, or

payment of interest on, debentures or bonds, under the Federal Home Loan Bank Act, as amended, shall be considered as nonadministrative expenses for the purposes hereon: *Provided further*, That members and alternates of the Federal Savings and Loan Advisory Council shall be entitled to reimbursement from the Board as approved by the Board for transportation expenses incurred in attendance at meetings of or concerned with the work of such Council and may be paid in lieu of subsistence per diem not to exceed the dollar amount set forth in 5 U.S.C. 5703: *Provided further*, That expenses of any functions of supervision (except of Federal home loan banks) vested in or exercisable by the Board shall be considered as nonadministrative expenses: *Provided further*, That not to exceed \$500 shall be available for official reception and representation expenses: *Provided further*, That, notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of the Board shall be incurred, allowed, and paid in accordance with the provisions of the Federal Home Loan Bank Act of July 22, 1932, as amended (12 U.S.C. 1421-1449): *Provided further*, That the nonadministrative expenses (except such part as the Board determines not to be field expense, which part shall be treated as if expenses of supervision and examination were not as such excluded from administrative expense, and except those included in the first proviso hereof) for the supervision and examination of Federal and State chartered institutions (other than special examinations determined by the Board to be necessary) shall not exceed \$29,895,000.

#### LIMITATION ON ADMINISTRATIVE EXPENSES, FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Not to exceed \$950,000 shall be available for administrative expenses, which shall be on an accrual basis and shall be exclusive of interest paid, depreciation, property capitalized expenditures, expenses in connection with liquidation of insured institutions or activities relating to section 406(c), 407, or 408 of the National Housing Act, liquidation or handling of assets of or derived from insured institutions, payment of insurance, and action for or toward the avoidance, termination, or minimizing of losses in the case of insured institutions, legal fees and expenses and payments for expenses of the Federal Home Loan Bank Board determined by said Board to be properly allocable to said Corporation, and said Corporation may utilize and may make payments for services and facilities of the Federal home loan banks, the Federal Reserve Banks, the Federal Home Loan Bank Board, the Federal Home Loan Mortgage Corporation, and other agencies of the Government: *Provided*, That, notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of said Corporation shall be incurred, allowed, and paid in accordance with title IV of the Act of June 27, 1934, as amended (12 U.S.C. 1724-1730f).

### TITLE IV

#### GENERAL PROVISIONS

SEC. 401. Where appropriations in titles I and II of this Act are expendable for travel expenses of employees and no specific limitation



has been placed thereon, the expenditures for such travel expenses may not exceed the amounts set forth therefor in the budget estimates submitted for the appropriations: *Provided*, That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans Administration; or to payments to inter-agency motor pools where separately set forth in the budget schedules: *Provided further*, That the limitations may be increased by the Secretary when necessary to allow for travel performed by employees of the Department of Housing and Urban Development as a result of increased Federal Housing Administration inspection and appraisal workload.

SEC. 402. Appropriations and funds available for the administrative expenses of the Department of Housing and Urban Development and the Selective Service System shall be available in the current fiscal year for purchase of uniforms, or allowances therefor, as authorized by law (5 U.S.C. 5901-5902); hire of passenger motor vehicles; and services as authorized by 5 U.S.C. 3109.

SEC. 403. Funds of the Department of Housing and Urban Development subject to the Government Corporation Control Act or section 402 of the Housing Act of 1950 shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing Bank, Federal Reserve banks or any member thereof, Federal home loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811-1831).

SEC. 404. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 405. No funds appropriated by this Act may be expended—

(1) pursuant to a certification of an officer or employee of the United States unless—

(A) such certification is accompanied by, or is part of, a voucher or abstract which describes the payee or payees and the items or services for which such expenditure is being made, or

(B) the expenditure of funds pursuant to such certification, and without such a voucher or abstract, is specifically authorized by law; and

(2) unless such expenditure is subject to audit by the General Accounting Office or is specifically exempt by law from such an audit.

SEC. 406. None of the funds provided in this Act to any department or agency may be expended for the transportation of any officer or employee of such department or agency between his domicile and his place of employment, with the exception of the Secretary of the Department of Housing and Urban Development, who, under title 5, United States Code, section 101, is exempted from such limitations.

SEC. 407. None of the funds provided in this Act may be used for payment, through grants or contracts, to recipients that do not share

in the cost of conducting research resulting from proposals for projects not specifically solicited by the Government: *Provided*, That the extent of cost sharing by the recipient shall reflect the mutuality of interest of the grantee or contractor and the Government in the research.

SEC. 408. None of the funds provided in this Act may be used, directly or through grants, to pay or to provide reimbursement for payment of the salary of a consultant (whether retained by the Federal Government or a grantee) at more than the daily equivalent of the maximum rate paid for GS-18, unless specifically authorized by law.

This Act may be cited as the "Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1979".

Approved September 30, 1978.

### EXCERPTS FROM THE HOUSING ACT OF 1948

[Public Law 901, 80th Cong., 62 Stat. 1268, 1283; 12 U.S.C. 1701c]

## TITLE V—ADMINISTRATIVE AND MISCELLANEOUS PROVISIONS

### ADMINISTRATIVE PROVISIONS

\* \* \* \* \*

SEC. 502. In carrying out their respective functions, powers, and duties—

(a) The Secretary of Housing and Urban Development may appoint such officers and employees as he may find necessary, which appointments shall be subject to the civil service laws and the Classification Act of 1949, as amended. The Secretary may make such expenditures as may be necessary to carry out his functions, powers, and duties and there are hereby authorized to be appropriated to the Secretary, out of any moneys in the Treasury not otherwise appropriated such sums as may be necessary to carry out such functions, powers, and duties and for administrative expenses in connection therewith.

\* \* \* \* \*

(b) The United States Housing Authority may sue and be sued only with respect to its functions under the United States Housing Act of 1937, as amended, and title II of Public Law 671, Seventy-sixth Congress, approved June 28, 1940, as amended. Funds made available for carrying out the functions, powers, and duties of the Authority (including appropriations therefor, which are hereby authorized) shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Authority. Notwithstanding any other provisions of law except provisions of law hereafter enacted expressly in limitation hereof, the United States Housing Authority, or any State, or local public agency administering a low-rent housing project assisted pursuant to the United States Housing Act of 1937 or title II of Public Law 671, Seventy-sixth Congress, approved June 28, 1940, shall continue to have the right to maintain an action or proceeding to recover possession of any housing accommodations operated by it where such action is authorized

by the statute or regulations under which such housing accommodations are administered, and, in determining net income for the purposes of tenant eligibility with respect to low-rent housing projects assisted pursuant to said Acts, the United States Housing Authority is authorized, where it finds such action equitable and in the public interest, to exclude amounts or portions thereof paid by the United States Government for disability or death occurring in connection with military service.

\* \* \* \* \*

(c) The Secretary of Housing and Urban Development and the Federal Home Loan Bank Board<sup>1</sup> (which term as used in this section shall also include and refer to the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, and the Chairman of the Federal Home Loan Bank Board), respectively, may, in addition to and not in derogation of any powers and authorities conferred elsewhere in this Act—

(1) with the consent of the agency or organization concerned, accept and utilize equipment, facilities, or the services of employees of any State or local public agency or instrumentality, educational institution, or nonprofit agency or organization and, in connection with the utilization of such services, may make payments for transportation while away from their homes or regular places of business and per diem in lieu of subsistence en route and at place of such service, in accordance with the provisions of section 73b-2 of title 5;

(2) utilize, contract with, and act through, without regard to section 5 of title 41, any Federal, State, or local public agency or instrumentality, educational institution or nonprofit agency or organization with the consent of the agency or organization concerned, and any funds available to said officers for carrying out their respective functions, powers, and duties shall be available to reimburse or pay any such agency or organization; and, whenever in the judgment of any such officer necessary, he may make advance, progress, or other payments with respect to such contracts without regard to the provisions of section 529 of title 31;

(3) make expenditures for all necessary expenses, including preparation, mounting, shipping, and installation of exhibits; purchase and exchange of technical apparatus; and such other expenses as may, from time to time, be found necessary in carrying out their respective functions, powers, and duties: *Provided*. That funds made available for administrative expenses in carrying out the functions, powers, and duties imposed upon the Secretary of Housing and Urban Development and the Federal Home Loan Bank Board, respectively, by or pursuant to law may at their option be consolidated into single administrative expense fund accounts of such officer or agency for expenditure by them, respectively, in accordance with the provisions hereof.

<sup>1</sup> The Home Loan Bank Board was removed from the Housing and Home Finance Agency effective August 11, 1955, by sec. 17(b) of the Federal Home Loan Bank Act, as amended by the Housing Amendments of 1955.



(d)<sup>1</sup> The Secretary of Housing and Urban Development may utilize funds made available to him for salaries and expenses for payment in advance for dues or fees for library memberships in organizations (or for membership of the individual librarians in organizations which will not accept library membership) whose publications are available to members only, or to members at a price lower than to the general public, and for payment in advance for publication available only upon that basis or available at a reduced price on prepublication order.

\* \* \* \* \*

Approved August 10, 1948.

## ADVISORY COMMITTEES

### EXCERPTS FROM HOUSING ACT OF 1949

[Public Law 171, 81st Congress, 63 Stat. 413, 438; 12 U.S.C. 1701h]

#### GENERAL AUTHORITY

SEC. 601.<sup>2</sup> The Secretary of Housing and Urban Development is hereby authorized to establish such advisory committee or committees as he may deem necessary in carrying out any of his functions, powers, and duties under this or any other Act or authorization. Persons serving without compensation as members of any such committee may be paid transportation expenses and not to exceed \$25 per diem in lieu of subsistence, as authorized by section 5 of the Act of August 2, 1946 (5 U.S.C. 73b-2).

\* \* \* \* \*

Approved July 15, 1949.

## ADVISORY COMMITTEE—HOUSING FOR THE ELDERLY

### EXCERPTS FROM HOUSING ACT OF 1954

[Public Law 1020, 84th Congress, 70 Stat. 1091, 1092; 12 U.S.C. 1701h-1]

#### HOUSING FOR THE ELDERLY

SEC. 104. \* \* \* .

\* \* \* \* \*

(d) The Secretary of Housing and Urban Development shall establish, in accordance with the provisions of section 601 of the Housing Act of 1949, as amended, an advisory committee on matters relating to housing for elderly persons.

\* \* \* \* \*

Approved August 7, 1956.

<sup>1</sup> Subsec. (d) added by section 909, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 192.

<sup>2</sup> Sec. 601 amended to authorize the appointment of advisory committees by the constituent agencies by sec. 807 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 645.

**REDUCTION OF VULNERABILITY TO ATTACK****EXCERPTS FROM HOUSING ACT OF 1954**

[Public Law 560, 83d Congress, 68 Stat. 590, 646; 12 U.S.C. 1701n]

SEC. 811. The Department of Housing and Urban Development, and any other departments or agencies of the Federal Government having powers, functions, or duties with respect to housing under this or any other law shall exercise such powers, functions, or duties in such manner as, consistent with the requirements thereof, will facilitate progress in the reduction of the vulnerability of congested urban areas to enemy attack.

Approved August 2, 1954.

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**ADMINISTRATION OF CERTAIN JOINTLY FUNDED PROJECTS**

Executive Order 11466

[34 Fed. Reg. 6727]

By virtue of the authority vested in me by section 612 of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2962), section 406 of the Juvenile Delinquency Prevention and Control Act of 1968 (42 U.S.C. 3886) and section 301 of title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

SECTION 1. The Director of the Bureau of the Budget is authorized to designate, from time to time, projects for joint funding under section 612 of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2962), and section 406 of the Juvenile Delinquency Prevention and Control Act of 1968 (42 U.S.C. 3886). The Director of the Bureau of the Budget is also authorized to designate, or provide criteria for the designation of, one Federal agency to act for all participating agencies in administering any such jointly funded project.

SEC. 2. Any Federal agency designated pursuant to section 1 of this order to administer any jointly funded project may waive any technical grant or contract requirement which is inconsistent with such agency's similar requirements or which such agency does not impose, except that no waiver of requirements may be made which (1) would materially affect or change the character or purpose of such project, or (2) does not have the concurrence of the agency which imposed such requirement and advanced the funds for such project. For the purposes of this section, the term "technical grant or contract requirement" means any requirement imposed by administrative regulation or order.

SEC. 3. The Director of the Bureau of the Budget is authorized to prescribe such additional regulations, not inconsistent with those prescribed herein, as he may deem necessary to implement section 612 of the Economic Opportunity Act of 1964, as amended, section 406 of the Juvenile Delinquency Prevention and Control Act of 1968, and this order.

SEC. 4. In carrying out the provisions of this order, the Director of the Bureau of the Budget shall from time to time consult with the participating Federal agencies as may be appropriate.

SEC. 5. Nothing in this order shall be deemed to limit or restrict any other authority which any Federal agency may possess by law, regulation, or order to initiate or participate in common or jointly funded projects, programs, activities, or functions.

RICHARD NIXON.

THE WHITE HOUSE, *April 18, 1969.*

## RECORDS, SPECIFICATIONS AND AUDITS REQUIRED IN CONNECTION WITH LOANS, ADVANCES, GRANTS OR CONTRIBUTIONS (BYRD AMENDMENT)

### EXCERPTS FROM HOUSING ACT OF 1954

[Public Law 560, 83d Congress; 68 Stat. 590, 647; 12 U.S.C. 1701n]

#### RECORDS

SEC. 814. Every contract between the Department of Housing and Urban Development and any person or local body (including any corporation or public or private agency or body) for a loan, advance, grant, or contribution under the United States Housing Act of 1937, as amended, the Housing Act of 1949, as amended, or <sup>1</sup> any other other act shall provide that such person or local body shall keep such records as the Department of Housing and Urban Development shall from time to time prescribe, including records which permit a speedy and effective audit and will fully disclose the amount and disposition by such person or local body of the proceeds of the loan, advance, grant, or contribution, or any supplement thereto, the capital cost of any construction project for which any such loan, advance, grant, or contribution is made, and the amount of any private or other non-Federal funds used or grants-in-aid made for or in connection with any such project. No mortgage covering new or rehabilitated multifamily housing (as defined in section 227 of the National Housing Act, as amended) shall be insured unless the mortgagor certifies that he will keep such records as are prescribed by the Secretary of Housing and Urban Development at the time of the certification and that they will be kept in such form as to permit a speedy and effective audit. The Department of Housing and Urban Development and <sup>2</sup> the Comptroller General of the United States shall have access to and the right to examine and audit such records. This section shall become effective on the first day after the first full calendar month following the date of approval of the Housing Act of 1961.<sup>3</sup>

#### APPLICANTS FOR ASSISTANCE REQUIRED TO SUBMIT SPECIFICATIONS

SEC. 815. Repealed.<sup>4</sup> Every contract for a loan, grant, or contribution under the United States Housing Act of 1937, as amended, or

<sup>1</sup> Sec. 908, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 192. Inserted "or any other Act."

<sup>2</sup> Sec. 908, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 192, inserted "and the Comptroller General of the United States."

<sup>3</sup> Sec. 908, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 192, substituted "1961" for "1954."

<sup>4</sup> Sec. 204 of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, repealed this section.



title I of the Housing Act of 1949, as amended, for the construction of a project shall require the submission of specifications with respect to such construction prior to the authorization for the award of the construction contract and the submission of data with respect to the acquisition of land prior to the authorization to acquire such land.

#### AUDITS UNDER PUBLIC HOUSING ACT OF 1937; COMPTROLLER GENERAL

SEC. 816. Every contract for loans or annual contributions under the United States Housing Act of 1937, as amended, shall provide that the Secretary of Housing and Urban Development and the Comptroller General of the United States, or any of their duly authorized representatives, shall, for the purpose of audit and examination, have access to any books, documents, papers, and records of the public housing agency entering into such contract that are pertinent to its operations with respect to financial assistance under the United States Housing Act of 1937, as amended.

Approved August 2, 1954.

### PRESIDENT'S FUNCTIONS DELEGATED TO HOUSING ADMINISTRATOR

Executive Order 11196

[30 Fed. Reg. 1171]

#### PROVIDING FOR THE PERFORMANCE BY THE HOUSING AND HOME FINANCE ADMINISTRATOR OF CERTAIN FUNCTIONS VESTED IN OR SUBJECT TO THE APPROVAL OF THE PRESIDENT

By virtue of the authority vested in me by Section 301 of Title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows—

SECTION 1. The Housing and Home Finance Administrator is hereby designated and empowered to exercise, without the approval, ratification, or other action of the President, the following:

(1) The authority vested in the President by Section 6(d) of the United States Housing Act of 1937, 50 Stat. 888 (42 U.S.C. 1406(d)), to approve the undertaking by the Public Housing Administration of any annual contribution, grant, or loan, or any contract for any annual contribution, grant, or loan, under that Act.

(2) The authority vested in the President by Section 14 of the United States Housing Act of 1937, 50 Stat. 895 (42 U.S.C. 1414), to approve the amending or superseding of any contract for annual contributions or loans, or both, so that the going Federal rate on the basis of which such annual contributions or the interest rate on the loans, or both, respectively, are fixed shall mean the going Federal rate on the date of approval of the amending or superseding contract entered into by the Public Housing Administration.

(3) The authority vested in the Housing and Home Finance Administrator by Section 103(b) of the Housing Act of 1949, 63 Stat. 416 (42 U.S.C. 1453(b)), to contract, with the approval of the President, to make grants under Title I of that Act.

(4) The authority vested in the President by Title II of the Act of

June 28, 1940, ch. 440, 54 Stat. 681 (42 U.S.C. 1501-1505), to determine that housing administered or assisted by the Public Housing Administration under that Title is no longer needed to assure the availability of dwellings for persons engaged in national-defense activities: *Provided*, That determinations under this paragraph shall require the concurrence of the Secretary of Defense.

(5) The authority vested in the President by Section 5 of the Act of June 29, 1936, ch. 860, 49 Stat. 2026, to approve the dedication by the Public Housing Commissioner of streets, alleys, and parks for public use, and the granting by the Commissioner of easements, in connection with any low-cost housing or slum-clearance project described in that Act.

(6) The authority vested in the President by Section 57 of the Alaska Omnibus Act (added by Public Law 88-451 of August 19, 1964, 78 Stat. 507), (A) to make the grants to the State of Alaska provided for in that Section, (B) to approve a plan submitted by the State of Alaska for the implementation of the purpose of that Section, (C) to specify reports to be made by the agency designated by the State of Alaska in accordance with that Section and to prescribe the form of, and information to be contained in, such reports, and (D) to demand access to the records upon which such reports are based.

SEC. 2. The following are hereby superseded:

- (1) Part III of Executive Order No. 10530 of May 10, 1954.
- (2) Executive Order No. 10573 of October 26, 1954.
- (3) Executive Order No. 10852 of November 27, 1959.
- (4) So much of Executive Order No. 11184 of October 13, 1964, as added paragraph (g) to Section 4 of Executive Order No. 10530 of May 10, 1954.

SEC. 3. (a) References in this Order to any statute or to any provision of any statute shall be deemed to include (1) to the extent not inappropriate, references thereto as amended from time to time, (2) in the cases of Sections 1(1), 1(2), 1(4), and 1(5) of this Order, references to Reorganization Plan No. 3 of 1947 (61 Stat. 954), and (3) in the case of Section 1(5) of this Order, a reference to Executive Order No. 7732 of October 27, 1937.

(b) Unless inappropriate, any reference in any Executive order to any Executive order which is superseded by this Order, or to any Executive order provision so superseded, shall hereafter be deemed to refer to this Order or to the provision of Section 1 hereof, if any, which corresponds to the superseded provision.

SEC. 4. All actions heretofore taken by the President or by his delegate in respect of the matters affected by Section 1 of this Order and in force at the time of the issuance of this Order shall, except as they may be inconsistent with the provisions of this Order, remain in effect until amended, modified, or revoked pursuant to the authority conferred by this Order unless sooner terminated by operation of law.

LYNDON B. JOHNSON.

THE WHITE HOUSE, February 2, 1965.

# SPECIAL ASSISTANT COMMISSIONER FOR COOPERATIVE HOUSING<sup>1</sup>

## EXCERPTS FROM HOUSING AMENDMENTS OF 1955

[Public Law 345, 84th Cong., 69 Stat. 636; 12 U.S.C. 1715e]

SEC. 102. \* \* \*

\* \* \* \* \*

(h) In the performance of, and with respect to, the functions, powers, and duties vested in him by section 213 of the National Housing Act, section 221(d)(3), section 235,<sup>2</sup> section 236, section 241, section 243, section 246, and section 203(n) of the National Housing Act, and section 101 of the Housing and Urban Development Act of 1965 or section 8 of the United States Housing Act of 1937<sup>2</sup> (insofar as the provisions of such sections relate to cooperative housing), the Secretary of Housing and Urban Development, notwithstanding the provisions of any other law, shall appoint a Special Assistant for Cooperative Housing, and provide the Special Assistant with adequate staff, whose sole responsibility will be to expedite operations under such sections and to eliminate obstacles to the full utilization of such sections under the direction and supervision of the Commissioner and Assistant Secretary for Housing Management.<sup>2</sup> The person so appointed shall be fully sympathetic with the purposes of such sections.

\* \* \* \* \*

Approved August 11, 1955.

## EMPLOYEES PROHIBITED FROM STRIKING

### EXCERPTS FROM HOUSING ACT OF 1949

[Public Law 171, 81st Cong., 63 Stat. 413, 438; 42 U.S.C. 1445 Rep.]

#### GENERAL PROVISIONS

SEC. 612. No part of any appropriation, loan, fund, or expenditure authorized by or provided pursuant to this Act, shall be used directly or indirectly to pay the salary or wages of any officer or employee of the Department of Housing and Urban Development or the Department of Agriculture who engages in a strike against the Government of the United States or who is a member of an organiza-

<sup>1</sup> A provision in sec. 213(f) of the National Housing Act, as amended, authorizing the appointment of an Assistant Commissioner for cooperative housing administration was deleted by sec. 120 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 596. The First Independent Offices Appropriation Act of 1954, Public Law 176, 83d Congress, approved July 31, 1953, 67 Stat. 298, 315, had previously provided that the position was no longer authorized.

Sec. 1020(h), Demonstration Cities and Metropolitan Development Act of 1966, approved November 3, 1966, 80 Stat. 1255, 1296, reenacted this section which in effect had been repealed by the Department of Housing and Urban Development Act. The 1966 Act also amended this section to add to the duties of the Special Assistant for Cooperative Housing, the cooperative housing programs under sec. 221(d)(3) of the National Housing Act, and cooperatives receiving rent supplements under sec. 101 of the Housing and Urban Development Act of 1965.

<sup>2</sup> Sec. 18(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 102(h) of the Housing Amendments of 1955, by inserting after "section 221(d)(3)" a comma and the following: "section 235, section 236, section 241, section 243, section 246, and section 203(n)"; sec. 18(2) further amended this section by inserting immediately after "Housing and Urban Development Act of 1965" the following: "or section 8 of the United States Housing Act of 1937"; sec. 18(3) further amended this section by inserting before the period "and Assistant Secretary for Housing Management".



tion of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered prima facie evidence that the officer or employee making the affidavit has not contrary to the provisions of this section engaged in a strike against the Government of the United States, is not a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or that such officer or employee does not advocate, and is not a member of an organization that advocates the overthrow of the Government of the United States by force or violence: *Provided further*, That any person who engages in a strike against the Government of the United States or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts an office or employment in the Department of Housing and Urban Development or the Department of Agriculture the salary or wages for which are paid from any appropriation, loan, fund, or expenditure authorized by or provided pursuant to this Act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both: *Provided further*, That the above penalty clause shall be in addition to and not in substitution for, any other provisions of existing law.

\* \* \* \* \*

Approved July 15, 1949.

## PROVIDING THAT CERTAIN OFFICERS MAY ACT AS SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Executive Order 11274

[31 Fed. Reg. 5243]

By virtue of the authority vested in me by Section 179 of the Revised Statutes (5 U.S.C. 6) and Section 301 of Title 3 of the United States Code, and as President of the United States, it is ordered as follows:

1. In the event of a vacancy in the Office of the Secretary of Housing and Urban Development or during the absence or disability of the Secretary, the Under Secretary shall act as Secretary of Housing and Urban Development.

2. During any period when, by reason of absence, disability, or vacancy in office, neither the Secretary nor the Under Secretary is available to exercise the powers or perform the duties of the Office of the Secretary, an Assistant Secretary or the General Counsel, in such order as the Secretary may from time to time prescribe, shall act as Secretary of Housing and Urban Development. If no such order of succession is in effect at that time, then they shall act in the order in which they shall have taken office as Assistant Secretaries or General Counsel.

LYNDON B. JOHNSON.

THE WHITE HOUSE, March 30, 1966.

## ACCESSIBILITY TO PHYSICALLY HANDICAPPED

[Public Law 90-480, 82 Stat. 718; 42 U.S.C. 4151]

AN ACT To insure that certain buildings financed with Federal funds are so designed and constructed as to be accessible to the physically handicapped.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That,*<sup>1</sup> as used in this Act, the term "building" means any building or facility (other than (A) a privately owned residential structure<sup>2</sup> not leased by the Government for subsidized housing programs and (B) any building or facility on a military installation designed and constructed primarily for use by able bodied military personnel) the intended use for which either will require that such building or facility be accessible to the public, or may result in the employment or residence therein of physically handicapped persons, which building or facility is—

(1) to be constructed or altered by or on behalf of the United States;

(2) to be leased in whole or in part by the United States after the date of enactment of this Act;<sup>3</sup>

(3) to be financed in whole or in part by a grant or a loan made by the United States after the date of enactment of this Act if such building or facility is subject to standards for design, construction, or alteration issued under authority of the law authorizing such grant or loan; or<sup>3</sup>

(4)<sup>3</sup> to be constructed under authority of the National Capital Transportation Act of 1960, the National Capital Transportation Act of 1965, or title III of the Washington Metropolitan Area Transit Regulation Compact.

SEC. 2.<sup>4</sup> The Administrator of General Services, in consultation with the Secretary of Health, Education, and Welfare, shall prescribe such standards for the design, construction, and alteration of buildings (other than residential structures subject to this Act and buildings, structures, and facilities of the Department of Defense and of the United States Postal Service subject to this Act) to insure whenever possible that physically handicapped persons will have ready access to, and use of, such buildings.

SEC. 3.<sup>4</sup> The Secretary of Housing and Urban Development, in consultation with the Secretary of Health, Education, and Welfare, shall prescribe standards for the design, construction, and alteration of buildings which are residential structures subject to this Act to insure whenever possible that physically handicapped persons will have ready access to, and use of such buildings.

SEC. 4.<sup>4</sup> The Secretary of Defense, in consultation with the Secretary of Health, Education, and Welfare, shall prescribe such standards for the design, construction, and alteration of buildings, structures, and facilities of the Department of Defense subject to this Act to insure

<sup>1</sup> See excerpt from Public Buildings Cooperative Use Act of 1976, Public Law 94-541, approved October 18, 1976, which follows this Act.

<sup>2</sup> Sec. 201 of Public Buildings Cooperative Use Act of 1976, Public Law 94-541, approved October 18, 1976, 90 Stat. 2505, amended this Act by inserting "not leased by the Government for subsidized housing programs" in the first paragraph and by striking out in paragraph (2) the following: "after construction or alteration in accordance with plans and specifications of the United States".

<sup>3</sup> "An amendment to the accessibility to Physically Handicapped Act," Public Law 91-205, approved March 5, 1977, 84 Stat. 49 amended this Act as set forth in the text.

<sup>4</sup> Amended as set forth in the text by Public Buildings Cooperative Use Act of 1976, Public Law 94-541, approved October 18, 1976.

whenever possible that physically handicapped persons will have ready access to, and use of, such buildings.

SEC. 4a.<sup>1</sup> The United States Postal Service, in consultation with the Secretary of Health, Education, and Welfare, shall prescribe such standards for the design, construction, and alteration of its buildings to insure whenever possible that physically handicapped persons will have ready access to, and use of, such buildings.

SEC. 5. Every building designed, constructed, or altered after the effective date of a standard issued under this Act which is applicable to such building, shall be designed, constructed, or altered in accordance with such standard.

SEC. 6.<sup>1</sup> The Administrator of General Services, with respect to standards issued under section 2 of this Act, and the Secretary of Housing and Urban Development, with respect to standards issued under section 3 of this Act, and the Secretary of Defense with respect to standards issued under section 4 of this Act, and the United States Postal Service with respect to standards issued under section 4a of this Act”—

(1) to modify or waive any such standard, on a case-by-case basis, upon application made by the head of the department, agency, or instrumentality of the United States concerned, and upon a determination by the Administrator or Secretary, as the case may be, that such modification or waiver is clearly necessary; and

(2) shall establish a system of continuing surveys and investigations to insure compliance with such standards, to conduct such surveys and investigations as he deems necessary to insure compliance with such standards.

SEC. 7.<sup>2</sup> (a) The Administrator of General Services shall report to Congress during the first week of January of each year on his activities and those of other departments, agencies, and instrumentalities of the Federal Government under this Act during the preceding fiscal year including, but not limited to, standards issued, revised, amended or repealed under this Act and all case-by-case modifications, and waivers of such standards during such year.

(b) The Architectural and Transportation Barriers Compliance Board established by section 502 of the Rehabilitation Act of 1973 (Public Law 93-112) shall report to the Public Works and Transportation Committee of the House of Representatives and the Public Works Committee of the Senate during the first week of January of each year on its activities and actions to insure compliance with the standards prescribed under this Act.

Approved August 12, 1968.

## EXCERPT FROM THE PUBLIC BUILDINGS COOPERATIVE USE ACT OF 1976

[Public Law 94-541, 95th Congress]

\* \* \* \* \*  
SEC. 202. The amendment made by paragraph (1) of section 201 of this Act shall not apply to any lease entered into before January 1

<sup>1</sup> Amended as set forth in the text by Public Buildings Cooperative Use Act of 1976 (Public Law 94-541, approved October 18, 1976).

<sup>2</sup> Secs. 7 (a) and (b) added by Public Buildings Cooperative Use Act of 1976, Public Law 94-541, approved October 18, 1976.



1977. It shall apply to every lease entered into on or after January 1, 1977, including any renewal of a lease entered into before such date which renewal is on or after such date.

\* \* \* \* \*

Approved October 18, 1976.

## ASSIGNING EMERGENCY PREPAREDNESS FUNCTIONS TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

EXCERPTS FROM EXECUTIVE ORDER NO. 11490

[34 Fed. Reg. 17567]

\* \* \* \* \*

### PART 1—PURPOSE AND SCOPE

SECTION 101. PURPOSE. This order consolidates the assignment of emergency preparedness functions to various departments and agencies heretofore contained in the 21 Executive orders and 2 Defense Mobilization orders listed in Section 3015 of this order. Assignments have been adjusted to conform to changes in organization which have occurred subsequent to the issuance of those Executive orders and Defense Mobilization orders.

SEC. 102 SCOPE. (a) This order is concerned with the emergency national planning and preparedness functions of the several departments and agencies of the Federal Government which complement the military readiness planning responsibilities of the Department of Defense; together, these measures provide the basic foundation for our overall national preparedness posture, and are fundamental to our ability to survive. The activities undertaken by the departments and agencies pursuant to this order, except as provided in Section 3003, shall be in accordance with guidance provided by, and subject to evaluation by, the Administrator of General Services who has established within the General Services Administration a subordinate agency, the Federal Preparedness Agency, to assume those functions of the former Office of Emergency Preparedness transferred to the Administrator of General Services by Section 3 of Executive Order 11725 of June 27, 1973.<sup>1</sup>

(b) The departments and agencies of the Federal Government are hereby severally charged with the duty of assuring the continuity of the Federal Government in any national emergency type situation that might confront the nation. To this end, each department and agency with essential functions, whether expressly identical in this order or not, shall develop such plans and take such actions, including but not limited to those specified in this order, as may be necessary to assure that it will be able to perform its essential functions, and continue as a viable part of the Federal Government, during any emergency that might conceivably occur. These include plans for maintaining the continuity of essential functions of the department or agency at the seat of government and elsewhere, through programs concerned

<sup>1</sup> The second sentence of sec. 102(a) was added by Executive Order No. 11921 dated June 11, 1976.

with: (1) succession to office; (2) predelegation of emergency authority; (3) safekeeping of essential records; (4) emergency relocation sites supported by communications and required services; (5) emergency action steps; (6) alternate headquarters or command facilities; and (7) protection of Government resources, facilities, and personnel. The continuity of Government activities undertaken by the departments and agencies shall be in accordance with guidance provided by, and subject to evaluation by, the Director of the Federal Preparedness Agency (GSA).<sup>1</sup>

(c)<sup>2</sup> In addition to the activities indicated above, the heads of departments and agencies described in Parts 2 through 29 of this order shall: (1) prepare national emergency plans, develop preparedness programs, and attain an appropriate state of readiness with respect to the functions assigned to them in this order for all conditions of national emergency; (2) give appropriate consideration to emergency preparedness factors in the conduct of the regular functions of their agencies, particularly those functions considered essential in time of emergency, and (3) be prepared to implement, in the event of an emergency, all appropriate plans developed under this order.

\* \* \* \* \*

## PART 12—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SECTION 1201. *RÉSUMÉ OF RESPONSIBILITIES.* The Secretary of Housing and Urban Development shall prepare national emergency plans and develop preparedness programs covering all aspects of housing, community facilities related to housing, and urban development (except that housing assets under the jurisdiction and control of the Department of Defense, other than those leased for terms not in excess of one year, shall be and remain the responsibility of the Department of Defense).

SEC. 1202. *Definition.* As used in this part:

(1) "Emergency housing" means any and all types of accommodations used as dwellings in an emergency.

(2) "Community facilities related to housing" means installations necessary to furnish water, sewer, electric, and gas services between the housing unit or project and the nearest practical source or servicing point.

(3) "Urban development" means the building or restoration of urban community, suburban, and metropolitan areas (except transportation facilities).

SEC. 1203. *Housing and Community Facilities Functions.* The Secretary of Housing and Urban Development shall:

(1) *New housing.* Develop plans for the emergency construction and management of new housing and the community facilities related

<sup>1</sup> Executive Order No. 11921 dated June 11, 1976, deleted the words "Office of Emergency Preparedness" and substituted therefor the words "Federal Preparedness Agency (GSA)."

<sup>2</sup> Executive Order No. 11921 dated June 11, 1976, added a new paragraph "(c)".

thereto to the extent that it is determined that it may be necessary to provide for such construction and management with public funds and through direct Federal action, and to the extent that such construction of new housing may have to be provided through Federal financial or credit assistance.

(2) *Community facilities.* Develop plans to restore community facilities related to housing affected by an emergency through the repair of damage, the construction of new facilities, and the use of alternate or back-up facilities.

SEC. 1204. *Urban Development Functions.* The Secretary of Housing and Urban Development shall:

(1) *Regional cooperation.* Encourage regional emergency planning and cooperation among State and local governments with respect to problems of housing and metropolitan development.

(2) *Vulnerability and redevelopment.* In cooperation with the Federal Preparedness Agency (GSA),<sup>1</sup> develop criteria and provide guidance for the design and location of housing and community facilities related to housing to minimize the risk of loss under various emergency situations. Develop criteria for determining which areas should be redeveloped in the event of loss or severe damage resulting from emergencies.

SEC. 1205. *Civil Defense Functions.* In consonance with national civil defense plans, programs, and operations of the Department of Defense under Executive Order No. 10952, the Secretary of Housing and Urban Development shall:

(1) *Transitional activities.* Develop plans for the orderly transfer of people from fallout shelters and from billets to temporary or permanent housing including advice and guidance for State and local government agencies in the administration thereof. These plans shall be coordinated with national plans and guidance for emergency welfare services of the Department of Health, Education, and Welfare.

(2) *Temporary housing.* Develop plans for the emergency repair and restoration for use of damaged housing, for the construction and management of emergency housing units and community facilities related thereto, for the emergency use of tents and trailers, and for the emergency conversion for dwelling use of non-residential structures, such activities to be financed with public funds through direct Federal action or through financial or credit assistance.

(3) *Shelter.* In conformity with national shelter policy, assist in the development of plans to encourage the construction of shelters for both old and new housing, and develop administrative procedures to encourage the use of low-cost design and construction techniques to maximize protection in connection with national programs.

\* \* \* \* \*

RICHARD NIXON.

THE WHITE HOUSE, October 28, 1969.

<sup>1</sup> Executive Order No. 11921 dated June 11, 1976, deleted the words "Office of Emergency Preparedness" and substituted therefor the words "Federal Preparedness Agency (GSA)."



## DEFENSE ECONOMIC ADJUSTMENT PROGRAMS

Executive Order 12049

[43 Fed. Reg. 13363]

By virtue of the authority vested in me as President by the Constitution of the United States of America, in order to provide coordinated Federal economic adjustment assistance necessitated by changes in Department of Defense activities, it is hereby ordered as follows:

SECTION 1. *Functions of the Secretary of Defense.*

(a) The Secretary shall, through the Economic Adjustment Committee, design and establish an Economic Adjustment Program to assist in the alleviation of serious economic and social impacts that result from major Defense realignments. The program shall provide for:

1. Identification of Defense-related impact problems of States, metropolitan areas, or communities that require assistance.

2. Preparation of development strategies and action plans to coordinate Federal, State and local economic adjustment efforts.

3. Strengthened and uniform economic impact analysis and analysis of community requirements for Federal economic adjustment resources prior to base realignment action.

4. Timely and earliest possible consultation and cooperation with local, State and Federal officials concerning impact problems and coordinated interagency and intergovernmental adjustment assistance.

5. A clearinghouse service to exchange information among Federal, State and local officials involved in the resolution of community adjustment problems; e.g., previous studies, technical information, and sources of public and private financing.

6. Application of consistent policies, practices, and procedures in the administration of Federal programs that are utilized to assist Defense impact communities.

7. Encouragement of effective State and regional cooperation and concerted involvement of public interest groups and private sector organizations in Defense adjustment activities.

8. Development, with representatives of appropriate agencies, of uniform criteria for the determination of social economic impact of particular realignment.

9. Identification and strengthening of existing agency mechanisms to better coordinate employment opportunities for displaced agency personnel.

10. Increased attractiveness to the private sector of interim usage of lands and buildings and ways of streamlining property disposal procedures to enable impacted communities to acquire base property for job-generation purposes as military activities phase down.

(b) The Secretary of Defense shall ensure that sufficient resources and personnel are allocated to carry out these functions.

SEC. 2. *Economic Adjustment Committee.* (a) The Economic Adjustment Committee is hereby continued.

(b) The Committee shall be composed of the following, or a principle

pal deputy, and such others as the President may designate:

(1) The Secretary of Defense, who shall be the Chairman of the Committee.

(2) The Secretary of Agriculture.

(3) The Secretary of Commerce.

(4) The Secretary of Energy.

(5) The Secretary of Health, Education, and Welfare.

(6) The Secretary of Housing and Urban Development.

(7) The Secretary of the Interior.

(8) The Secretary of Labor.

(9) The Secretary of Transportation.

(10) The Attorney General.

(11) The Chairman, Council of Economic Advisers.

(12) The Director of the Office of Management and Budget.

(13) The Director of the United States Arms Control and Disarmament Agency.

(14) The Administrator of the Environment Protection Agency.

(15) The Director of the Community Services Administration.

(16) The Administrator of General Services.

(17) The Administrator of the Small Business Administration.

(18) The Chairman of the United States Civil Service Commission.

(c) The Committee shall advise, assist, and support the Secretary of Defense's Economic Adjustment activities.

(d) The Secretary of Defense shall provide all necessary administrative support for the Committee.

### SEC. 3. *Responsibility of Executive Agencies.*

(a) The head of each agency represented on the Economic Adjustment Committee shall designate a permanent representative to: (1) serve as liaison with the Secretary of Defense's economic adjustment staff, (2) coordinate agency support and participation in assistance projects, and (3) assist in resolving community impact problems.

(b) All Executive agencies shall:

(1) Support, to the extent permitted by law, the economic adjustment assistance activities of the Secretary of Defense. Such support shall include the use and application of personnel, technical expertise, legal authorities, and available financial resources to the extent required to provide a coordinated Federal response to the needs of individual communities, States, and regions adversely affected by necessary Defense changes.

(2) Afford priority consideration to community requests for Federal technical assistance, financial resources, excess or surplus property, or other requirements that are part of a comprehensive plan used by the Economic Adjustment Committee.

SEC. 4. *Construction.* Nothing in this Order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any agency or head thereof to the authority of any other agency or officer or as abrogating or restricting any such function in any manner.

JIMMY CARTER.

THE WHITE HOUSE, March 27, 1978.

EXCERPTS FROM NATIONAL SCIENCE AND TECHNOLOGY POLICY,  
ORGANIZATION AND PRIORITIES ACT OF 1976

[Public Law 94-282, 90 Stat. 459]

\* \* \* \* \*

TITLE IV—FEDERAL COORDINATING COUNCIL FOR  
SCIENCE, ENGINEERING, AND TECHNOLOGY

## ESTABLISHMENT AND FUNCTIONS

SEC. 401. (a) There is established the Federal Coordinating Council for Science, Engineering, and Technology (hereinafter referred to as the "Council").

(b) The Council shall be composed of the Director of the Office of Science and Technology Policy and one representative of each of the following Federal agencies: Department of Agriculture, Department of Commerce, Department of Defense, Department of Health, Education, and Welfare, Department of Housing and Urban Development, Department of the Interior, Department of State, Department of Transportation, Veterans' Administration, National Aeronautics and Space Administration, National Science Foundation, Environmental Protection Agency, and Energy Research and Development Administration. Each such representative shall be an official of policy rank designated by the head of the Federal agency concerned.

(c) The Director of the Office of Science and Technology Policy shall serve as Chairman of the Council. The Chairman may designate another member of the Council to act temporarily in the Chairman's absence as Chairman.

(d) The Chairman may (1) request the head of any Federal agency not named in subsection (b) of this section to designate a representative to participate in meetings or parts of meetings of the Council concerned with matters of substantial interest to such agency, and (2) invite other persons to attend meetings of the Council.

(e) The Council shall consider problems and developments in the fields of science, engineering, and technology and related activities affecting more than one Federal agency, and shall recommend policies and other measures designed to—

(1) provide more effective planning and administration of Federal scientific, engineering, and technological programs,

(2) identify research needs including areas requiring additional emphasis,

(3) achieve more effective utilization of the scientific, engineering, and technological resources and facilities of Federal agencies, including the elimination of unwarranted duplication, and

(4) further international cooperation in science, engineering, and technology.

(f) The Council shall perform such other related advisory duties as shall be assigned by the President or by the Chairman.

(g) For the purpose of carrying out the provisions of this section, each Federal agency represented on the Council shall furnish necessary assistance to the Council. Such assistance may include—

(1) detailing employees to the Council to perform such functions, consistent with the purposes of this section, as the Chairman may assign to them, and



(2) undertaking, upon request of the Chairman, such special studies for the Council as come within the functions herein assigned.

(h) For the purpose of conducting studies and making reports as directed by the Chairman, standing subcommittees and panels of the Council may be established.

ABOLITION OF FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY

SEC. 402. The Federal Council for Science and Technology, established pursuant to Executive Order 10807, issued March 13, 1959, as amended by Executive Order 11381, issued November 8, 1967, is hereby abolished.

\* \* \* \* \*

Approved May 11, 1976.

DELEGATING CERTAIN FUNCTIONS VESTED IN THE  
PRESIDENT TO OTHER OFFICERS OF THE GOVERNMENT

EXCERPTS FROM EXECUTIVE ORDER 11609

[36 Fed. Reg. 13747]

By virtue of the authority vested in me by section 301 of title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

SECTION 1.

\* \* \* \* \*

(21) The authority of the President under section 108 of the Housing Act of July 15, 1949, c. 338, 63 Stat. 419, as amended (42 U.S.C. 1453), to transfer, or cause to be transferred, to the Secretary of Housing and Urban Development any right, title or interest held by the Federal Government or any department or agency thereof in any land (including buildings thereon) which is surplus to the needs of the Government and which a local public agency certifies will be within the area of a project being planned by it.

\* \* \* \* \*

SEC. 9. *Office of Management and Budget.* The Director of the Office of Management and Budget is hereby designated and empowered to exercise, without the approval, ratification, or other action of the President, the following:

\* \* \* \* \*

(6) The authority of the President under section 407(b) of the Act of August 30, 1957, 71 Stat. 556 (42 U.S.C. 1594j(b))—approve regulations (relating to the rental of substandard housing for members of the uniformed services) prescribed pursuant to that section. The Secretaries referred to in section 407(c) of that Act shall furnish the Director of the Office of Management and Budget such reports with respect to matters within the scope of the regulations so approved as he may require and at such times as he may specify.

\* \* \* \* \*

(8) The authority of the President under the paragraph appearing under the heading "Expenses of Management Improvement" in title III of the Treasury, Post Office, and Executive Office Appropriation Act, 1971, P.L. 91-422, 84 Stat. 877, or by any reenactment of the provisions of that paragraph in the same or in a different amount of funds, to allocate to any agency or office of the executive branch (including the Office of Management and Budget) funds appropriated by that paragraph or by any such reenactment of it. The Director of the Office of Management and Budget shall from time to time report to the President concerning activities carried on by executive agencies and offices with funds allocated under this paragraph and shall, consonant with law, exercise such direction and control with respect to those activities as he shall deem appropriate.

\* \* \* \* \*

SEC. 11. *Orders superseded.* The following are hereby superseded:

\* \* \* \* \*

(6) To the extent that it is inconsistent with this order, Executive Order No. 11541 of July 1, 1970.

\* \* \* \* \*

RICHARD NIXON.

THE WHITE HOUSE, *July 22, 1971.*

## COORDINATION OF FEDERAL URBAN PROGRAMS

Executive Order 11297

[31 Fed. Reg. 10765]

Whereas our Nation has become predominantly urban in character and is confronted by serious problems arising from inherited urban decay and rapid urban growth; and

Whereas the living standards and general welfare of its people depend upon the solution of the problems of urban life; and

Whereas the Congress has provided in the Department of Housing and Urban Development Act that the Secretary of Housing and Urban Development (hereinafter referred to as the Secretary) shall "advise the President with respect to Federal programs and activities relating to housing and urban development; develop and recommend to the President policies for fostering the orderly growth and development of the Nation's urban areas; and exercise leadership at the direction of the President in coordinating Federal activities affecting housing and urban development"; and

Whereas such activities are closely interrelated with other important Federal activities affecting urban areas so that there is a need for maximum consultation and cooperation among Federal departments and agencies in their administration of programs having impact on urban areas; and

Whereas such consultation and cooperation are also essential to enable the Secretary to carry out his responsibilities under that Act to "provide technical assistance and information, including a clearing-

house service to aid State, county, town, village, or other local governments in developing solutions to community and metropolitan development problems; consult and cooperate with State Governors and State agencies . . . with respect to Federal and State programs for assisting communities in developing solutions to community and metropolitan development problems and for encouraging effective regional cooperation in the planning and conduct of community and metropolitan development programs and projects”:

Now, therefore, by virtue of the authority vested in me as President of the United States by the Constitution and laws of the United States, it is ordered as follows:

SECTION 1. *Functions of the Secretary of Housing and Urban Development.* (a) To assist the Secretary in carrying out his responsibilities pursuant to the Department of Housing and Urban Development Act, he shall convene, or authorize his representatives to convene, meetings at appropriate times and places of the heads, or representatives designated by them, of such Federal departments and agencies with programs affecting urban areas as he deems necessary or desirable for the following purposes:

(1) To provide a forum for consideration of mutual problems concerning Federal programs and activities affecting the development of urban areas and for the exchange of current information needed to achieve coordination of, and to avoid duplication in, such programs and activities.

(2) To promote cooperation among Federal departments and agencies in achieving consistent policies, practices, and procedures for administration of their programs affecting urban areas.

(3) To consult with and obtain the advice of the Federal departments and agencies with respect to:

(A) consultation and cooperation with State Governors and State and local agencies concerning Federal and State programs for assisting communities;

(B) provision of technical information, a clearinghouse service, and other assistance to State and local governments in solving community and metropolitan development problems; and

(C) encouragement of comprehensive planning of, and effective regional cooperation in, local urban, community, and metropolitan development activities.

(4) To identify urban development problems of particular States, metropolitan areas, or communities which require interagency or intergovernmental coordination.

(b) The Secretary shall make arrangements with such Federal departments and agencies for working groups to consider special problems arising with respect to matters described in subsection (a) of this section.

SEC. 2. *Agency responsibilities.* The heads of Federal departments and agencies having programs which have an impact on urban areas, or representatives designated by them, shall participate in meetings convened pursuant to this Order and, to the extent permitted by law and funds available, shall furnish information, at the request of the Secretary, pertaining to programs within the responsibilities of such



departments or agencies, and such additional information as will assist the Secretary in providing a clearinghouse service to aid State and local governments in developing solutions to community and metropolitan development problems.

SEC. 3. *Construction.* Nothing in this Order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any Federal department or agency or head thereof to the authority of any other agency or officer or as abrogating or restricting any such function in any manner.

SEC. 4. *Administrative arrangements.* (a) Each executive department and agency participating under section 1 or section 2 shall furnish necessary assistance for effectuating the provisions of this Order as authorized by section 214 of the Act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691).

(b) The Department of Housing and Urban Development shall provide necessary administrative services pursuant to this Order.

LYNDON B. JOHNSON.

THE WHITE HOUSE, August 11, 1966.

## Excerpt from Housing and Community Development Act of 1974

[Public Law 93-383, 88 Stat. 633]

\* \* \* \* \*

### NATIONAL INSTITUTE OF BUILDING SCIENCES

SEC. 809. (a)(1) The Congress finds (A) that the lack of an authoritative national source to make findings and to advise both the public and private sectors of the economy with respect to the use of building science and technology in achieving nationally acceptable standards and other technical provision for use in Federal, State, and local housing and building regulations is an obstacle to efforts by and imposes severe burdens upon all those who procure, design, construct, use, operate, maintain, and retire physical facilities, and frequently results in the failure to take full advantage of new and useful developments in technology which could improve our living environment; (B) that the establishment of model buildings codes or of a single national building code will not completely resolve the problem because of the difficulty at all levels of government in updating their housing and building regulations to reflect new developments in technology, as well as the irregularities and inconsistencies which arise in applying such requirements to particular localities or special local conditions; (C) that the lack of uniform housing and building regulatory provisions increases the costs of construction and thereby reduces the amount of housing and other community facilities which can be provided; and (D) that the existence of a single authoritative nationally recognized institution to provide for the evaluation of new technology could facilitate introduction of such innovations and their acceptance at the Federal, State, and local levels.

(2) The Congress further finds, however, that while an authoritative source of technical findings is needed, various private organizations and institutions, private industry, labor, and Federal and other governmental agencies and entities are presently engaged in building research, technology development, testing, and evaluation, standards and model code development and promulgation, and information dissemination. These existing activities should be encouraged and these capabilities effectively utilized wherever possible and appropriate to the purposes of this section.

(3) The Congress declares that an authoritative nongovernmental instrument needs to be created to address the problems and issues described in paragraph (1), that the creation of such an instrument should be initiated by the Government, with the advice and assistance of the National Academy of Sciences-National Academy of Engineering-National Research Council (hereinafter referred to as the "Academies-Research Council") and of the various sectors of the building community, including labor and management, technical experts in building science and technology, and the various levels of government.

(b)(1) There is authorized to be established, for the purposes described in subsection (a) (3), an appropriate nonprofit, nongovern-

mental instrument to be known as the National Institute of Building Sciences (hereinafter referred to as the "Institute"), which shall not be an agency or establishment of the United States Government. The Institute shall be subject to the provisions of this section and, to the extent consistent with this section, to a charter of the Congress if such a charter is requested and issued or to the District of Columbia Non-profit Corporation Act if that is deemed preferable.

(2) The Academies-Research Council, along with other agencies and organizations which are knowledgeable in the field of building technology, shall advise and assist in (A) the establishment of the Institute; (B) the development of an organizational framework to encourage and provide for the maximum feasible participation of public and private scientific, technical, and financial organizations, institutions, and agencies now engaged in activities pertinent to the development, promulgation, and maintenance of performance criteria, standards, and other technical provisions for building codes and other regulations; and (C) the promulgation of appropriate organizational rules and procedures including those for the selection and operation of a technical staff, such rules and procedures to be based upon the primary object of promoting the public interest and insuring that the widest possible variety of interests and experience essential to the functions of the Institute are represented in the Institute's operations. Recommendations of the Academies-Research Council shall be based upon consultations with and recommendations from various private organizations and institutions, labor, private industry, and governmental agencies entities operating in the field, and the Consultative Council as provided for under subsection (c) (8).

(3) Nothing in this section shall be construed as expressing the intent of the Congress that the Academies-Research Council itself be required to assume any function or operation vested in the Institute by or under this section.

(c) (1) The Institute shall have a Board of Directors (hereinafter referred to as the "Board") consisting of not less than fifteen nor more than twenty-one members, appointed by the President of the United States by and with the advice and consent of the Senate. The Board shall be representative of the various segments of the building community, of the various regions of the country, and of the consumers who are or would be affected by actions taken in the exercise of the functions and responsibilities of the Institute, and shall include (A) representatives of the construction industry, including representatives of construction labor organizations, product manufacturers, and builders, housing management experts, and experts in building standards, codes, and fire safety, and (B) members representative of the public interest in such numbers as may be necessary to assure that a majority of the members of the Board represent the public interest and that there is adequate consideration by the Institute of consumer interests in the exercise of its functions and responsibilities. Those representing the public interest on the Board shall include architects, professional engineers, officials of Federal, State, and local agencies, and representatives of consumer organizations. Such members of the Board shall hold no financial interest or membership in, nor be employed by, or receive other compensation from, any company, association, or other group associated with the manufacture, distribution, installation, or maintenance of specialized building products, equipment, systems,



subsystems, or other construction materials and techniques for which there are available substitutes.

(2) The members of the initial Board shall serve as incorporators and shall take whatever actions are necessary to establish the Institute as provided for under subsection (b) (1).

(3) The term of office of each member of the initial and succeeding Boards shall be three years; except that (A) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term; and (B) the terms of office of members first taking office shall begin on the date of incorporation and shall expire, as designated at the time of their appointment, one-third at the end of one year, one-third at the end of two years, and one-third at the end of three years. No member shall be eligible to serve in excess of three consecutive terms of three years each. Notwithstanding the preceding provisions of this subsection, a member whose term has expired may serve until his successor has qualified.

(4) Any vacancy in the initial and succeeding Boards shall not affect its power, but shall be filled in the manner in which the original appointments were made, or, after the first five years of operation, as provided for by the organizational rules and procedures of the Institute.

(5) The President shall designate one of the members appointed to the initial Board as Chairman; thereafter, the members of the initial and succeeding Boards shall annually elect one of their number as Chairman. The members of the Board shall also elect one or more of their Members as Vice Chairman. Terms of the Chairman and Vice Chairman shall be for one year and no individual shall serve as Chairman or Vice Chairman for more than two consecutive terms.

(6) The members of the initial or succeeding Boards shall not, by reason of such membership, be deemed to be employees of the United States Government. They shall, while attending meetings of the Board or while engaged in duties related to such meetings or in other activities of the Board pursuant to this section, be entitled to receive compensation at the rate of \$100 per day including traveltime, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, equal to that authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(7) The Institute shall have a president and such other executive officers and employees as may be appointed by the Board at rates of compensation fixed by the Board. No such executive officer or employee may receive any salary or other compensation from any source other than the Institute during the period of his employment by the Institute.

(8) The Institute shall establish, with the advice and assistance of the Academies-Research Council and other agencies and organizations which are knowledgeable in the field of building technology, a Consultative Council, membership in which shall be available to representatives of all appropriate private trade, professional, and labor organizations, private and public standards, code, and testing bodies, public regulatory agencies, and consumer groups, so as to insure a direct line of communication between such groups and the Institute and a vehicle for representative hearings on matters before the Institute.

(d) (1) The Institute shall have no power to issue any shares of stock, or to declare or pay any dividends.

(2) No part of the income, or assets of the Institute shall inure to the benefit of any director, officer, employee, or other individual except as salary or reasonable compensation for services.

(3) The Institute shall not contribute to or otherwise support any political party or candidate for elective public office.

(e) (1) The Institute shall exercise its functions and responsibilities in four general areas, relating to building regulations, as follows:

(A) Development, promulgation, and maintenance of nationally recognized performance criteria, standards, and other technical provisions for maintenance of life, safety, health, and public welfare suitable for adoption by building regulating jurisdictions and agencies, including test methods and other evaluative techniques relating to building systems, subsystems, components, products, and materials with due regard for consumer problems.

(B) Evaluation and prequalification of existing and new building technology in accordance with subparagraph (A).

(C) Conduct of needed investigations in direct support of subparagraphs (A) and (B).

(D) Assembly, storage, and dissemination of technical data and other information directly related to subparagraphs (A), (B), and (C).

(2) The Institute in exercising its functions and responsibilities described in paragraph (1) shall assign and delegate, to the maximum extent possible, responsibility for conducting each of the needed activities described in paragraph (1) to one or more of the private organizations, institutions, agencies, and Federal and other governmental entities with a capacity to exercise or contribute to the exercise of such responsibility, monitor the performance achieved through assignment and delegation, and, when deemed necessary, reassign and delegate such responsibility.

(3) The Institute in exercising its functions and responsibilities under paragraphs (1) and (2) shall (A) give particular attention to the development of methods for encouraging all sectors of the economy to cooperate with the Institute and to accept and use its technical findings, and to accept and use the nationally recognized performance criteria, standards, and other technical provisions developed for use in Federal, State, and local building codes and other regulations which result from the program of the Institute; (B) seek to assure that its actions are coordinated with related requirements which are imposed in connection with community and environmental development generally; and (C) consult with the Department of Justice and other agencies of government to the extent necessary to insure that the national interest is protected and promoted in the exercise of its functions and responsibilities.

(f) (1) The Institute is authorized to accept contracts and grants from Federal, State, and local governmental agencies and other entities, and grants and donations from private organizations, institutions, and individuals.

(2) The Institute may, in accordance with rates and schedules established with guidance as provided under subsection (b) (2), establish fees and other charges for services provided by the Institute or under its authorization.



(3) Amounts received by the Institute under this section shall be in addition to any amounts which may be appropriated to provide its initial operating capital under subsection (h).

(g) (1) Every department, agency, and establishment of the Federal Government, in carrying out any building or construction, or any building- or construction-related programs, which involves direct expenditures, and in developing technical requirements for any such building or construction, shall be encouraged to accept the technical findings of the Institute, or any nationally recognized performance criteria, standards, and other technical provisions for building regulations brought about by the Institute, which may be applicable.

(2) All projects and programs involving Federal assistance in the form of loans, grants, guarantees, insurance, or technical aid, or in any other form, shall be encouraged to accept, use, and comply with any of the technical findings of the Institute, or any nationally recognized performance criteria, standards, and other technical provisions for building codes and other regulations brought about by the Institute, which may be applicable to the purposes for which the assistance is to be used.

(3) Every department, agency, and establishment of the Federal Government having responsibility for building or construction, or for building- or construction-related programs, is authorized and encouraged to request authorization and appropriations for grants to the Institute for its general support, and is authorized to contract with and accept contracts from the Institute for specific services where deemed appropriate by the responsible Federal official involved.

(4) The Institute shall establish and carry on a specific and continuing program of cooperation with the States and their political subdivisions designed to encourage their acceptance of <sup>1</sup> its technical findings and of nationally recognized performance criteria, standards, and other technical provisions for building regulations brought about by the Institute. Such program shall include (A) efforts to encourage any changes in existing State and local law to utilize or embody such findings and regulatory provisions; and (B) assistance to States in the development of inservice training programs for building officials, and in the establishment of fully staffed and qualified State technical agencies to advise local officials on questions of technical interpretation.

(h) There is authorized to be appropriated to the Institute not to exceed \$5,000,000 for the fiscal year 1975, and \$5,000,000 for the fiscal year 1976, and \$5,000,000 for each of the fiscal years 1977 and 1978,<sup>2</sup> and any amounts not appropriated in fiscal years 1977 and 1978 may be appropriated in any fiscal year through 1982<sup>3</sup> (with each appropriation to be available until expended), to provide the Institute with initial capital adequate for the exercise of its functions and responsibilities during such years; and thereafter the Institute shall be financially self-sustaining through the means described in subsection (f).

(i) The Institute shall submit an annual report for the preceding fiscal year to the President for transmittal to the Congress within

<sup>1</sup> Editorial change from word "and", as in original, to "of".

<sup>2</sup> Sec. 24 of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 809(h) of the Housing and Community Development Act of 1974, by inserting immediately after "fiscal year 1976" the following: "and \$5,000,000 for each of the fiscal years 1977 and 1978".

<sup>3</sup> The phrase, "and any amounts not appropriated in fiscal years 1977 and 1978 may be appropriated in any fiscal year through 1982" was added by Sec. 319, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.



sixty days of its receipt. The report shall include a comprehensive and detailed report of the Institute's operations, activities, financial condition, and accomplishments under this section and may include such recommendations as the Institute deems appropriate.

EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS  
OF 1978

[Public Law 95-557, 42 U.S.C. 3540]

PAPERWORK REDUCTION

SEC. 905. (a) The Congress finds and declares—

(1) that various departments, agencies, and instrumentalities of the Federal Government with responsibilities involving housing and housing finance programs, require, approve, use or otherwise employ a variety of different forms as residential mortgages (or deeds of trust or similar security instruments) as notes secured by those mortgages, and for applications, appraisals and other purposes, and that such duplication of forms constitutes a paperwork burden that adds to the costs imposed on the Nation's homeowners and home buyers;

(2) that unnecessary paperwork impairs the effectiveness of Federal housing and housing finance programs;

(3) that both single-family and multi-family programs are affected; and

(4) that simplification of paperwork imposed by Federal housing and housing finance programs would contribute to achieving the Nation's housing goals by reducing housing costs.

(b) (1) Insofar as it is practicable and to the extent permitted by law and to the extent that such action would result in a reduction in paperwork and regulatory burden, the Department of Housing and Urban Development and the Veterans' Administration shall employ in their respective programs—

(A) uniform single-family and multi-family note and mortgage forms;

(B) a uniform application form for mortgage approval and commitment for mortgage insurance;

(C) a uniform form for computation of the monthly net effective income of applicants;

(D) a uniform property appraisal form;

(E) a uniform settlement statement which shall satisfy the requirements of the Real Estate Settlement Procedures Act; and

(F) such other consolidated or simplified forms, the consolidation or simplification of which the Secretary of Housing and Urban Development and the Administrator of Veterans' Affairs mutually agree would contribute to a reduction in the paperwork and regulatory burden of housing and housing finance programs administered by the agencies.

(2) Each agency may employ riders, addenda, or similar forms of modification agreements to adapt such uniform forms to its respective programs and policies, consistent with the goals of minimizing the use and extent of such modification agreements and maximizing the suitability of such forms for the use of all participants, public and private.

(3) To the extent permitted by law, the President may require the Farmers Home Administration and the Administrator of the Farmers Home Administration to comply with the requirements of this section if such compliance will contribute to a reduction in the paperwork and regulatory burden of housing and housing finance programs administered by the agency.

(c) The Director of the Office of Management and Budget shall coordinate and monitor the development and implementation by Federal departments and agencies of the efforts required by subsection (b) and shall report to the Congress on such development and implementation as part of each report required under Public Law 93-556.

Approved October 31, 1978.

### INSPECTOR GENERAL ACT OF 1978<sup>1</sup>

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Inspector General Act of 1978".*

#### PURPOSE; ESTABLISHMENT

SEC. 2. In order to create independent and objective units—

(1) to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture, the Department of Commerce, the Department of Housing and Urban Development, the Department of the Interior, the Department of Labor, the Department of Transportation, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration;

(2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and

(3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action;

thereby is hereby established in each of such establishments an office of Inspector General.

#### APPOINTMENT AND REMOVAL OF OFFICERS

SEC. 3. (a) There shall be at the head of each Office an Inspector General who shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. Each Inspector General shall report to and be under the general supervision of the head of the establishment involved or, to the extent such authority is delegated, the officer next in rank below such head, but shall not report to, or be subject to super-

<sup>1</sup> Enacted on October 12, 1978 as P.L. 95-452, 92 Stat. 1101.

vision by, any other officer of such establishment. Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of any audit or investigation.

(b) An Inspector General may be removed from office by the President. The President shall communicate the reasons for any such removal to both Houses of Congress.

(c) For the purposes of section 7324 of title 5, United States Code, no Inspector General shall be considered to be an employee who determines policies to be pursued by the United States in the nationwide administration of Federal laws.

(d) Each Inspector General shall, in accordance with applicable laws and regulations governing the civil service—

(1) appoint an Assistant Inspector General for Auditing who shall have the responsibility for supervising the performance of auditing activities relating to programs and operations of the establishment, and

(2) appoint an Assistant Inspector General for Investigations who shall have the responsibility for supervising the performance of investigative activities relating to such programs and operations.

#### DUTIES AND RESPONSIBILITIES

SEC. 4. (a) It shall be the duty and responsibility of each Inspector General, with respect to the establishment within which his Office is established—

(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment;

(2) to review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations in the semiannual reports required by section 5(a) concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations;

(3) to recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;

(4) to recommend policies for, and to conduct, supervise, or coordinate relationships between such establishment and other Federal agencies, State and local governmental agencies, and non-governmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by such establishment, or (B) the identification and prosecution of participants in such fraud or abuse; and

(5) to keep the head of such establishment and the Congress fully and currently informed, by means of the reports required by section 5 and otherwise, concerning fraud and other serious



problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by such establishment, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action.

(b) In carrying out the responsibilities specified in subsection (a) (1), each Inspector General shall—

(1) comply with standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions;

(2) establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and

(3) take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General as described in paragraph (1).

(c) In carrying out the duties and responsibilities established under this Act, each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation.

(d) In carrying out the duties and responsibilities established under this Act, each Inspector General shall report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.

#### REPORTS

SEC. 5. (a) Each Inspector General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30. Such reports shall include, but need not be limited to—

(1) a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period;

(2) a description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1);

(3) an identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed;

(4) a summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted;

(5) a summary of each report made to the head of the establishment under section 6(b) (2) during the reporting period; and

(6) a listing of each audit report completed by the Office during the reporting period.

(b) Semiannual reports of each Inspector General shall be furnished to the head of the establishment involved not later than April 30 and October 31 of each year and shall be transmitted by such head to the appropriate committees or subcommittees of the Congress within thirty days after receipt of the report, together with a report

by the head of the establishment containing any comments such head deems appropriate.

(c) Within sixty days of the transmission of the semiannual reports of each Inspector General to the Congress, the head of each establishment shall make copies of such report available to the public upon request and at a reasonable cost.

(d) Each Inspector General shall report immediately to the head of the establishment involved whenever the Inspector General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of such establishment. The head of the establishment shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days together with a report by the head of the establishment containing any comments such head deems appropriate.

#### AUTHORITY; ADMINISTRATION PROVISIONS

SEC. 6. (a) In addition to the authority otherwise provided by this Act, each Inspector General, in carrying out the provisions of this Act, is authorized—

(1) to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to programs and operations with respect to which that Inspector General has responsibilities under this Act;

(2) to make such investigations and reports relating to the administration of the programs and operations of the applicable establishment as are, in the judgment of the Inspector General, necessary or desirable;

(3) to request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by this Act from any Federal, State, or local governmental agency or unit thereof;

(4) to require by subpoena the production of all information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary in the performance of the functions assigned by this Act, which subpoena, in the case of contumacy or refusal to obey, shall be enforceable by order of any appropriate United States district court: *Provided*, That procedures other than subpoenas shall be used by the Inspector General to obtain documents and information from Federal agencies;

(5) to have direct and prompt access to the head of the establishment involved when necessary for any purpose pertaining to the performance of functions and responsibilities under this Act;

(6) to select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the Office subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates;

(7) to obtain services as authorized by section 3109 of title 5, United States Code, at daily rates not to exceed the equivalent rate prescribed for grade GS-18 of the General Schedule by section 5332 of title 5, United States Code; and

(8) to the extent and in such amounts as may be provided in advance by appropriations Acts, to enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and to make such payments as may be necessary to carry out the provisions of this Act.

(b) (1) Upon request of an Inspector General for information or assistance under subsection (a) (3), the head of any Federal agency involved shall, insofar as is practicable and not in contravention of any existing statutory restriction or regulation of the Federal agency from which the information is requested, furnish to such Inspector General, or to an authorized designee, such information or assistance.

(2) Whenever information or assistance requested under subsection (a) (1) or (a) (3) is, in the judgment of an Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the head of the establishment involved without delay.

(c) Each head of an establishment shall provide the Office within such establishment with appropriate and adequate office space at central and field office locations of such establishment, together with such equipment, office supplies, and communications facilities and services as may be necessary for the operation of such offices, and shall provide necessary maintenance services for such offices and the equipment and facilities located therein.

#### EMPLOYEE COMPLAINTS

SEC. 7. (a) The Inspector General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.

(b) The Inspector General shall not, after receipt of a complaint or information from an employee, disclose the identity of the employee without the consent of the employee, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation.

(c) Any employee who has authority to take, direct others to take, recommend, or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as a reprisal for making a complaint or disclosing information to an Inspector General, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

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#### TRANSFER OF FUNCTIONS

SEC. 9. (a) There shall be transferred—

(1) to the Office of Inspector General—

(A) of the Department of Agriculture, the offices of that department referred to as the “Office of Investigation” and the “Office of Audit”;

(B) of the Department of Commerce, the offices of that department referred to as the “Office of Audits” and the “Investigations and Inspections Staff” and that portion of



the office referred to as the "Office of Investigations and Security" which has responsibility for investigation of alleged criminal violations and program abuse;

(C) of the Department of Housing and Urban Development, the office of that department referred to as the "Office of Inspector General";

(D) of the Department of the Interior, the office of that department referred to as the "Office of Audit and Investigation";

(E) of the Department of Labor, the office of that department referred to as the "Office of Special Investigations";

(F) of the Department of Transportation, the offices of that department referred to as the "Office of Investigations and Security" and the "Office of Audit" of the Department, the "Offices of Investigations and Security, Federal Aviation Administration", and "External Audit Divisions, Federal Aviation Administration", the "Investigations Division and The External Audit Division of the Office of Program Review and Investigation, Federal Highway Administration", and the "Office of Program Audits, Urban Mass Transportation Administration";

(G) of the Community Services Administration, the offices of that agency referred to as the "Inspections Division", the "External Audit Division", and the "Internal Audit Division";

(H) of the Environmental Protection Agency, the offices of that agency referred to as the "Office of Audit" and the "Security and Inspection Division";

(I) of the General Services Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations";

(J) of the National Aeronautics and Space Administration, the offices of that agency referred to as the "Management Audit Office" and the "Office of Inspections and Security";

(K) of the Small Business Administration, the office of that agency referred to as the "Office of Audits and Investigations"; and

(L) of the Veterans' Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations"; and

(2) such other offices or agencies, or functions, powers, or duties thereof, as the head of the establishment involved may determine are properly related to the functions of the Office and would, if so transferred, further the purposes of this Act, except that there shall not be transferred to an Inspector General under paragraph (2) program operating responsibilities.

(b) The personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available or to be made available, of any office or agency the functions, powers, and duties of which are transferred under subsection (a) are hereby transferred to the applicable Office of Inspector General.

(c) Personnel transferred pursuant to subsection (b) shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions except that the classification and compen-

sation of such personnel shall not be reduced for one year after such transfer.

(d) In any case where all the functions, powers, and duties of any office or agency are transferred pursuant to this subsection, such office or agency shall lapse. Any person who, on the effective date of this Act, held a position compensated in accordance with the General Schedule, and who, without a break in service, is appointed in an Office of Inspector General to a position having duties comparable to those performed immediately preceding such appointment shall continue to be compensated in the new position at not less than the rate provided for the previous position, for the duration of service in the new position.

#### CONFORMING AND TECHNICAL AMENDMENTS

SEC. 10. (a) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

“(122) Inspector General, Department of Health, Education, and Welfare.

“(123) Inspector General, Department of Agriculture.

“(124) Inspector General, Department of Housing and Urban Development.

“(125) Inspector General, Department of Labor.

“(126) Inspector General, Department of Transportation.

“(127) Inspector General, Veterans' Administration.”.

(b) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

“(144) Deputy Inspector General, Department of Health, Education, and Welfare.

“(145) Inspector General, Department of Commerce.

“(146) Inspector General, Department of the Interior.

“(147) Inspector General, Community Services Administration.

“(148) Inspector General, Environmental Protection Agency.

“(149) Inspector General, General Services Administration.

“(150) Inspector General, National Aeronautics and Space Administration.

“(151) Inspector General, Small Business Administration.”.

(c) Section 202(e) of the Act of October 15, 1976 (Public Law 94-505, 42 U.S.C. 3522), is amended by striking out “section 6(a)(1)” and “section 6(a)(2)” and inserting in lieu thereof “section 206(a)(1)” and “section 206(a)(2)”, respectively.

#### DEFINITIONS

SEC. 11. As used in this Act—

(1) the term “head of the establishment” means the Secretary of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, or Transportation or the Administrator of Community Services, Environmental Protection, General Services, National Aeronautics and Space, Small Business, or Veterans' Affairs, as the case may be;

(2) the term “establishment” means the Department of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, or Transportation or the Community Services Administration, the Environmental Protection Agency, the Gen-

eral Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, or the Veterans' Administration, as the case may be;

(3) the term "Inspector General" means the Inspector General of an establishment;

(4) the term "Office" means the Office of Inspector General of an establishment; and

(5) the term "Federal agency" means an agency as defined in section 552(e) of title 5 (including an establishment as defined in paragraph (2)), United States Code, but shall not be construed to include the General Accounting Office.

#### EFFECTIVE DATE

SEC. 12. The provisions of this Act and the amendments made by this Act shall take effect October 1, 1978.

Approved October 12, 1978.



## NATIONAL HOUSING ACT

[Public Law 479, 73d Congress, 48 Stat. 1246, 12 U.S.C. 1701 et seq.]

AN ACT To encourage improvement in housing standards and conditions, to provide a system of mutual mortgage insurance, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "National Housing Act."

### TITLE I—HOUSING RENOVATION AND MODERNIZATION

#### ADMINISTRATIVE PROVISIONS <sup>1</sup>

SECTION 1. The <sup>2</sup> powers conferred by this Act shall be exercised by the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary").

In order to carry out the provisions of this title and titles II, III, V, VI, VII, VIII, IX, X, and XI, the Secretary may establish such agencies, accept and utilize such voluntary and uncompensated services, utilize such Federal officers and employees, and, with the consent of the State, such State and local officers and employees, and appoint such other officers and employees as he may find necessary, and may prescribe their authorities, duties and responsibilities. The Secretary may delegate any of the functions and powers conferred upon him under this title and titles II, III, V, VI, VII, VIII, IX, X, and XI, to such officers, agents, and employees as he may designate or appoint and may make such expenditures (including expenditures for personal services and rent at the seat of government and elsewhere for law books and books of reference, and for paper, printing, and binding) as are necessary to carry out the provisions of this title and titles

<sup>1</sup> Sec. 1(b) of Public Law 90-19, approved May 25, 1967, 81 Stat. 17, substituted this heading for "Creation of Federal Housing Administration."

<sup>2</sup> Sec. 1 of Public Law 90-19, approved May 25, 1967, 81 Stat. 18, amended this sentence to read as set forth in the text. Prior to this amendment the sentence read as follows: "The President is authorized to create a Federal Housing Administration, all of the powers of which shall be exercised by a Federal Housing Commissioner (hereinafter referred to as the 'Commissioner'), who shall be appointed by the President, by and with the advice and consent of the Senate."

The Department of Housing and Urban Development Act, Public Law 89-174, effective November 9, 1965, 79 Stat. 667, established the Department of Housing and Urban Development and provided in sec. 4(a) that "There shall be in the Department a Federal Housing Commissioner, who shall be one of the Assistant Secretaries, who shall head a Federal Housing Administration within the Department, who shall have such duties and powers as may be prescribed by the Secretary, and who shall administer, under the supervision and direction of the Secretary, departmental programs relating to the private mortgage market." Sec. 5(a) of that act transferred to and vested in the Secretary of Housing and Urban Development all of the functions, powers and duties of the Federal Housing Administration and of the heads and other officers and offices of that Administration.

Sec. 1 of Public Law 90-19, amended all provisions in the National Housing Act with respect to its administration to reflect this transfer. The changes are too numerous to be noted by separate footnotes.

II, III, V, VI, VII, VIII, IX, X, and XI without regard to any other provisions of law governing the expenditure of public funds. All such compensation, expenses, and allowances shall be paid out of funds made available by this Act: *Provided, That*, notwithstanding any other provisions of law except provisions of law hereafter enacted expressly in limitation hereof, all expenses of the Department of Housing and Urban Development in connection with the examination and insurance of loans or investments under any title of this Act, all properly capitalized expenditures, and other necessary expenses not attributable to general overhead in accordance with generally accepted accounting principles shall be considered nonadministrative and payable from funds made available by this Act, except that, unless made pursuant to specific authorization by the Congress therefor, expenditures made in any fiscal year pursuant to this proviso, other than the payment of insurance claims and other than expenditures (including services on a contract or fee basis, but not including other personal services) in connection with the acquisition, protection, completion, operation, maintenance, improvement, or disposition of real or personal property of the Department acquired under authority of this Act, shall not exceed 35 per centum of the income received by the Department of Housing and Urban Development from premiums and fees during the preceding fiscal year. The Secretary shall, in carrying out the provisions of this title and titles II, III, V, VI, VII, VIII, IX, X, and XI be authorized, in his official capacity to sue and be sued in any court of competent jurisdiction, State or Federal.

#### INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2. (a) The Secretary is authorized and empowered upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which the Secretary finds to be qualified by experience or facilities and approves as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them on and after July 1, 1939, and prior to October 1, 1979.<sup>1</sup> for the purpose of (i) financing alterations, repairs, and improvements upon or in connection with existing structures, or

<sup>1</sup> Sec. 202(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 465, substituted "October 1, 1969," for "October 1, 1965"; sec. 2(a) of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, substituted "January 1, 1970" for "October 1, 1969."; sec. 101(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 2, 1969, 83 Stat. 379, substituted "October 1, 1970," for "January 1, 1970"; Sec. 1(a) of Public Law 91-432, approved October 2, 1970, 84 Stat. 886, substituted "November 1, 1970" for "October 1, 1970"; Sec. 1(a) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064, substituted "December 1, 1970" for "November 1, 1970"; Sec. 1(a) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384, substituted "January 1, 1971" for "December 1, 1970"; and sec. 101(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, substituted "October 1, 1972" for "January 1, 1971". Sec. 1(a) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906, substituted "June 30, 1973" for "October 1, 1972". Sec. 1(a) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220, substituted "October 1, 1973" for "June 30, 1973". Sec. 1(a) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421, substituted "October 1, 1974" for "October 1, 1973". Sec. 316(a) of Housing and Community Development Act of 1974, Public Law 93-333, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974"; Public Law 95-60, approved June 30, 1977, substituted "August 1, 1977" for "June 30, 1977"; Public Law 95-80 approved July 31, 1977 substituted "October 1, 1977" for "August 1, 1977"; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977 substituted "October 1, 1978" for "October 1, 1979."; Housing and Community Development Amendments of 1978. Sec. 301(a), Public Law 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "October 1, 1979" for "October 1, 1978."



mobile homes<sup>1</sup> and the building of new structures, upon urban, suburban, or rural real property (including the restoration, rehabilitation, rebuilding, and replacement of such improvements which have been damaged or destroyed by earthquake, conflagration, tornado, hurricane, cyclone, flood, or other catastrophe), by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan or advance of credit; and<sup>2</sup> for the purpose of (ii) financing the purchase of a mobile home to be used by the owner as his principal residence or financing the purchase of a lot on which to place such home and paying expenses reasonably necessary for the appropriate preparation of such lot, including the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad, or financing only the acquisition of such a lot either with or without such preparation by an owner of a mobile home;<sup>3</sup> and for the purpose of financing the preservation of historic structures, and, as used in this section, the term "historic structures" means residential structures which are registered in the National Register of Historic Places or which are certified by the Secretary of the Interior to conform to National Register criteria; and the term "preservation" means restoration or rehabilitation undertaken for such purposes as are approved by the Secretary in regulations issued by him, after consulting with the Secretary of the Interior.<sup>4</sup>

In no case shall the insurance granted by the Secretary under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after July 1, 1939, exceed 10 per centum of the total amount of such loans, advances of credit, and purchases: *Provided*,<sup>5</sup> That with respect to any loan, advance of credit, or purchase made after the effective date of the Housing Act of 1954,<sup>6</sup> the amount of any claim for loss on any such individual loan, advance of credit, or purchase paid by the Secretary under the provisions of this section to a lending institution shall not exceed 90 per centum of such loss.<sup>7</sup>

<sup>8</sup> After the effective date of the Housing Act of 1954,<sup>9</sup> (i) the Secretary shall not enter into contracts for insurance pursuant to this section except with lending institutions which are subject to the inspection and supervision of a governmental agency required by law to make periodic examinations of their books and accounts, and which the

<sup>1</sup> Sec. 309(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or mobile homes".

<sup>2</sup> Sec. 103(c)(2), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, inserted "; and for the purpose of (ii) financing the purchase of a mobile home to be used by the owner as his principal residence".

<sup>3</sup> Sec. 309(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended the first sentence of this subsection.

<sup>4</sup> Sec. 4(a)(1) of Emergency Home Purchase Assistance Act of 1974, Public Law 93-449, 88 Stat. 1364, approved October 18, 1974, amended the first sentence of this section.

<sup>5</sup> This proviso added by sec. 101(a), Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590.

<sup>6</sup> Sec. 101(b), Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, provided that as used in this section 2(a) the "effective date of the Housing Act of 1954" should mean "the first day after the first full calendar month following the date of approval of the Housing Act of 1954" (August 2, 1954).

<sup>7</sup> Sec. 2(a) of Public Law 86-788, approved September 14, 1960, 74 Stat. 1027, 1028, deleted the last sentence of subsection (a) which read: "The aggregate amount of all loans, advances of credit, and obligations purchased, exclusive of financing charges, with respect to which insurance may be heretofore or hereafter granted under this section and outstanding at any one time shall not exceed \$1,750,000,000."

<sup>8</sup> This paragraph added by sec. 101(a) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590.

<sup>9</sup> Sec. 101(b) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, provided that as used in this section 2(a) the "effective date of the Housing Act of 1954" should mean "the first day after the first full calendar month following the date of approval of the Housing Act of 1954" (August 2, 1954).



Secretary finds to be qualified by experience or facilities to make and service such loans, advances or purchases, and with such other lending institutions which the Secretary approves as eligible for insurance pursuant to this section on the basis of their credit and their experience or facilities to make and service such loans, advances or purchases; (ii) only such items as substantially protect or improve the basic livability or utility of properties shall be eligible for financing under this section, and therefore the Secretary shall from time to time declare ineligible for financing under this section any item, product, alteration, repair, improvement, or class thereof which he determines would not substantially protect or improve the basic livability or utility of such properties, and he may also declare ineligible for financing under this section any item which he determines is especially subject to selling abuses; and (iii) the Secretary is hereby authorized and directed, by such regulations or procedures as he shall deem advisable, to prevent the use of any financial assistance under this section (1) with respect to new residential structures other<sup>1</sup> than mobile homes that have not been completed and occupied for at least six months, or (2) which would, through multiple loans, result in an outstanding aggregate loan balance with respect to the same structure exceeding the dollar amount limitation prescribed in this subsection for the type of loan involved: *Provided*,<sup>2</sup> That this clause (iii) may in the discretion of the Secretary be waived with respect to the period of occupancy or completion of any such new residential structures. The<sup>3</sup> Secretary is hereby authorized and directed, with respect to mobile homes to be financed under this section, to (i) prescribe minimum property standards to assure the livability and durability of the mobile home and the suitability of the site on which the mobile home is to be located; and (ii) obtain assurances from the borrower that the mobile home will be placed on a site which complies with the standards prescribed by the Secretary and with local zoning and other applicable local requirements.

Alterations, repairs, and improvements upon or in connection with existing structures may include the provision of fire safety equipment, energy conserving improvements, or the installation of solar energy systems. As used in this section—

(1) the term “fire safety equipment” means any device or facility which is designed to reduce the risk of personal injury or property damage resulting from fire and is in conformity with such criteria and standards as shall be prescribed by the Secretary;

“(2) the term “energy conserving improvements” means the purchase and installation of weatherization materials as defined in section 412(9) of the Energy Conservation in Existing Buildings Act of 1976;<sup>4</sup> and

“(3) the term “solar energy” means any addition, alteration, or improvement to an existing or new structure which is designed to utilize

<sup>1</sup> Sec. 103(c)(3), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, inserted “other than mobile homes”.

<sup>2</sup> Amended to read as set forth in the text by sec. 101(a) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091. As originally added to this section by Public Law 405, 84th Congress, approved February 10, 1956, 70 Stat. 11, this proviso provided that clause (iii) should not be mandatory with respect to the period of occupancy or completion of new residential structures where the structures had been damaged in a major disaster.

<sup>3</sup> This sentence inserted by sec. 103(c)(4), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380.

<sup>4</sup> Amended by Sec. 241, National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

wind energy or solar energy either of the active type based on mechanically forced energy transfer or of the passive type based on convective, conductive, or radiant energy transfer or some combination of these types to reduce the energy requirements of that structure from other energy sources, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation with the Secretary of Energy.<sup>1</sup>

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$15,000<sup>2</sup> except<sup>3</sup> that an obligation financing the purchase of a mobile home may be in an amount not exceeding \$16,000 (\$24,000<sup>4</sup> in the case of a mobile home composed of two or more modules); (2) if such obligation has a maturity in excess of fifteen<sup>5</sup> years and thirty-two days, except that<sup>6</sup> such maturity limitation shall not apply if such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes: *Provided*,<sup>7</sup> That an obligation financing the purchase of a mobile home may have a maturity not in excess of fifteen years and thirty-two days (twenty-three years and thirty-two days in the case of a mobile home composed of two or more modules);<sup>8</sup> or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Secretary shall prescribe, in order to make credit available for the purposes of this title: *Provided*,<sup>9</sup> That any such obligation with respect to which insurance is granted under this section on or after sixty days from the date of the enactment of this proviso shall bear interest, and insurance premium charges, not exceeding (A) an amount with respect to so much of the net proceeds

<sup>1</sup> Sec. 309(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new paragraph. Amended by Sec. 241, National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

<sup>2</sup> Sec. 308, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509, substituted "\$5,000" for "\$3,500." Sec. 101(b) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, substituted "exceeds \$3,500" for "made for the purpose of financing the alteration, repair, or improvement of existing structures exceeds \$2,500, or for the purpose of financing the construction of new structures exceeds \$3,000". Sec. 309(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$10,000" for "\$5,000". Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, substituted "\$15,000" for "\$10,000".

<sup>3</sup> Sec. 103(c)(5), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, inserted the \$10,000 ceiling on an obligation financing the purchase of a mobile home.

<sup>4</sup> Sec. 113(1), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1773, inserted the \$15,000 ceiling on an obligation financing the purchase of a mobile home composed of two or more modules. Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended section 2(b)(1) of the National Housing Act by striking out "\$10,000 (\$15,000)" and inserting in lieu thereof "\$12,500 (\$20,000)". Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, substituted "\$16,000" for "\$12,500" and ("24,000" for "\$20,000".

<sup>5</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, substituted "fifteen" for "twelve".

<sup>6</sup> Sec. 309(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. (b)(2).

<sup>7</sup> This proviso added by sec. 103(c)(6), Housing and Urban Development Act of 1969, Public Law 91-152, 83 Stat. 379, 380, approved December 24, 1969.

<sup>8</sup> Sec. 309(a)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "twelve years and thirty-two days (fifteen years and thirty-two days in the case of a mobile home composed of two or more modules) and inserted in lieu thereof "fifteen years and thirty-two days". Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended this proviso as set forth.

<sup>9</sup> This proviso added by sec. 101(c) of the Housing Act of 1956, Public Law 1020, 84th Congress approved August 7, 1956, 70 Stat. 1091.



thereof as does not exceed \$2,500, equivalent to \$5.50<sup>1</sup> discount per \$100 of original face amount of a one-year note payable in equal monthly installments, plus (B) an amount, with respect to any portion of the net proceeds thereof in excess of \$2,500, equivalent to \$4.50<sup>2</sup> discount per \$100 of original face amount of such a note; *Provided*<sup>3</sup> further, That the amounts referred to in clauses (A) and (B) of the preceding proviso, when correctly based on tables of calculations issued by the Secretary or adjusted to eliminate minor errors in computation in accordance with requirements of the Secretary, shall be deemed to comply with such proviso: *Provided further*, That insurance may be granted to any such financial institution with respect to any obligation not in excess of \$37,500<sup>4</sup> nor an average amount of \$7,500 per family unit and having a maturity not in excess of fifteen years and thirty-two days representing any such loan, advance of credit, or purchase made by it if such loan, advance of credit, or purchase is made for the purpose of financing the alteration, repair, improvement, or conversion of an existing structure used or to be used as an apartment house or dwelling for two or more families: *Provided further*, That any obligation with respect to which insurance is granted under this section on or after July 1, 1939, may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection. Notwithstanding the foregoing limitations, any loan to finance fire safety equipment for a nursing home, extended health care facility, intermediate health care facility, or other comparable health care facility may involve such principal amount and have such maturity as the Secretary may prescribe.<sup>5</sup>

Notwithstanding the limitations contained in the first proviso to clause (2) of the preceding sentence, a loan financing the purchase of a mobile home and an undeveloped lot on which to place the home shall—

(A) involve such an amount not exceeding (i) the maximum amount under clause (1) of the first paragraph of this subsection, and (ii) such amount not to exceed \$5,000 as may be necessary to cover the cost of purchasing the lot; and

(B) have a maturity not exceeding fifteen years and thirty-two days (twenty-three<sup>6</sup> years and thirty-two days in the case of a mobile home composed of two or more modules).

A loan financing the purchase of a mobile home and a suitably developed lot on which to place the home shall—

(A) involve such an amount not exceeding (i) the maximum amount under clause (1) of the first paragraph of this subsection, and (ii) such amount not to exceed \$7,500 as may be necessary to cover the cost of purchasing the lot; and

<sup>1</sup> Sec. 308, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509, substituted "5.50" for "\$5".

<sup>2</sup> Sec. 308, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509, substituted "\$4.50" for "\$4".

<sup>3</sup> This proviso added by sec. 101(c) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091.

<sup>4</sup> Sec. 101(b) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, substituted "\$15,000 for an average amount of \$2,500 per family unit" for "\$30,000". Sec. 309(a)(4) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$25,000" for "\$15,000", "\$5,000" for "\$2,500", and "twelve years" for "seven years". Sec. 320, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "\$37,500" for "\$25,000", "\$7,500" for "\$5,000", and "fifteen" for "twelve".

<sup>5</sup> Sec. 309(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this last sentence.

<sup>6</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977 to read "twenty-three" in lieu of "twenty".



(B) have a maturity not exceeding fifteen years and thirty-two days (twenty-three<sup>1</sup> years and thirty-two days in the case of a mobile home composed of two or more modules).

A loan financing the purchase, by an owner of a mobile home which is the principal residence of that owner, of only a lot on which to place that mobile home shall—

(A) involve such an amount as may be necessary to cover the cost of purchasing the lot but not exceeding (i) \$5,000 in the case of an undeveloped lot, or (ii) \$7,500 in the case of a developed lot; and

(B) have a maturity not exceeding ten years and thirty-two days.

A mobile home lot loan may be made only if the owner certifies that he will place his mobile home on the lot acquired with such loan within six months after the date of such loan.<sup>2</sup>

A loan financing the preservation of a historic structure shall—

(1) involve an amount not exceeding \$15,000 per family unit; and

(2) have a maturity not exceeding fifteen years and thirty-two days.<sup>3</sup>

Because of prevailing higher costs, the Secretary may, by regulation, in Alaska, Guam, or Hawaii, increase any dollar amount limitation on mobile homes or mobile home lot loans contained in this subsection by not to exceed 40 per centum.<sup>4</sup>

(c) (1) Notwithstanding any other provision of law, the Secretary shall have the power, under regulations to be prescribed by him and approved by the Secretary of the Treasury, to assign or sell at public or private sale, or otherwise dispose of, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with the payment of insurance heretofore or hereafter granted under this section, and to collect or compromise all obligations assigned to or held by him and all legal or equitable rights accruing to him in connection with the payment of such insurance until such time as such obligations may be referred to the Attorney General for suit or collection.

(2) The Secretary is authorized and empowered (a) to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit in his discretion, and upon such terms and conditions and for such consideration as the Secretary shall determine to be reasonable, any real or<sup>5</sup> personal property conveyed to or otherwise acquired by him in connection with the payment of insurance heretofore or hereafter granted under this title and (b) to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Secretary in connection with such real or<sup>5</sup> personal property by way of deficiency or otherwise: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract of hazard insurance or to any purchase or contract for services

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, substituted "twenty-three" in lieu of "twenty".

<sup>2</sup> Sec. 309(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended section 2(b) of the National Housing Act.

<sup>3</sup> Sec. 4(a)(2) of Emergency Home Purchase Assistance Act of 1974, Public Law 93-449, 88 Stat. 1364, added this paragraph concerning historic structures.

<sup>4</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, inserted this paragraph.

<sup>5</sup> Sec. 103(c)(7), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, inserted "or personal".

or supplies on account of such property if the amount thereof does not exceed \$1,000. The power to convey and to execute in the name of the Secretary deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or <sup>1</sup> personal property or any interest therein heretofore or hereafter acquired by the Secretary pursuant to the provisions of this title may be exercised by an officer appointed by him without the execution of any express delegation of power or power of attorney: *Provided*, That nothing in this paragraph shall be construed to prevent the Secretary from delegating such power by order or by power of attorney, in his discretion, to any officer or agent he may appoint.

(d) The Secretary is authorized and empowered, under such regulations as he may prescribe, to transfer to any such approved financial institution any insurance in connection with any loans and advances of credit which may be sold to it by another approved financial institution.

(e) The Secretary is authorized to waive compliance with regulations heretofore or hereafter prescribed by him with respect to the interest and maturity of and the terms, conditions, and restrictions under which loans, advances of credit, and purchases may be insured under this section and section 6, if in his judgment the enforcement of such regulations would impose an injustice upon an insured institution which has substantially complied with such regulations in good faith and refunded or credited any excess charge made, and where such waiver does not involve an increase of the obligation of the Secretary beyond the obligation which would have been involved if the regulations had been fully complied with.

(f) The Secretary shall fix a premium charge for the insurance hereafter granted under this section, but in the case of any obligation representing any loan, advance of credit, or purchase, such premium charge shall not exceed an amount equivalent to 1 per centum per annum of the net proceeds of such loan, advance of credit, or purchase, for the term of such obligation, and such premium charge shall be payable in advance by the financial institution and shall be paid at such time and in such manner as may be prescribed by the Secretary.

(g) <sup>2</sup> Any payment for loss made to an approved financial institution under this section shall be final and incontestable after two years from the date the claim was certified for payment by the Secretary, in the absence of fraud or misrepresentation on the part of such institution, unless a demand for repurchase of the obligation shall have been made on behalf of the United States prior to the expiration of such two-year period.

(h) The Secretary is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.

#### LOANS TO FINANCIAL INSTITUTIONS

#### SEC. 3. Repealed.<sup>3</sup>

<sup>1</sup> Sec. 103(c)(7). Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, inserted "or personal".

<sup>2</sup> This subsection as added by sec. 105 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 297, was applicable only to payments for losses made after December 31, 1957. Section 101 of the Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, made the subsections applicable to all payments for losses.

<sup>3</sup> Repealed by Public Law 486, 74th Congress, approved April 3, 1936, 49 Stat. 1187.

## ALLOCATION OF FUNDS

SEC. 4. For the purposes of carrying out the provisions of this title and titles II and III [the Reconstruction Finance Corporation shall make available to the Administrator such funds as he may deem necessary, and the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized and empowered to have outstanding at any one time under existing law is hereby increased by an amount sufficient to provide such funds: <sup>1</sup> *Provided, That*] the President, in his discretion, is authorized to provide such funds or any portion thereof by allotment to the Secretary from any funds that are available, or may hereafter be made available, to the President for emergency purposes.

SEC. 5. Repealed.<sup>2</sup>

SEC. 6. Repealed.<sup>3</sup>

## TAXATION

SEC. 7. Nothing in this title shall be construed to exempt any real property acquired and held by the Secretary in connection with the payment of insurance heretofore or hereafter granted under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

## INSURANCE OF MORTGAGES

SEC. 8. (a) To assist in providing adequate housing for families of low and moderate income, particularly in suburban and outlying areas, this section is designed to supplement systems of mortgage insurance under other provisions of the National Housing Act by making feasible the insurance of mortgages covering properties in areas where it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on housing in built-up urban areas. The Secretary is authorized upon application by the mortgagee, to insure, as hereinafter provided, any mortgage (as defined in section 201 of this Act) offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Secretary may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided, That* the aggregate amount of principal obligations of all mortgages insured under this section and outstanding at any one time shall not exceed \$100,000,000, except that with the approval of the President such aggregate amount may be increased at any time or times by additional amounts aggregating not more than \$150,000,000 upon a determination by the President, taking into account the general effect of any such increase upon conditions in the building industry and upon the national economy, that such increase is in the public interest: <sup>4</sup> *And provided further,* <sup>5</sup> That no mortgage

<sup>1</sup> So much of sec. 4 as relates to the Reconstruction Finance Corporation (text in brackets) repealed by sec. 206 of Public Law 132, 80th Congress, approved June 30, 1947, 61 Stat. 202.

<sup>2</sup> Repealed by sec. 802(b) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 643.

<sup>3</sup> Repealed by Public Law 111, 76th Congress, approved June 3, 1939, 53 Stat. 804.

<sup>4</sup> See also sec. 217.

<sup>5</sup> This proviso added by sec. 103 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 591. See sec. 203(h) and 203(i) of the National Housing Act added by the Housing Act of 1954.



shall be insured under this section after the effective date of the Housing Act of 1954, except pursuant to a commitment to insure issued on or before such date.

(b) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to, and be held by, a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

(2)<sup>1</sup> involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$5,700, and not to exceed 95 per centum of the appraised value, as of the date the mortgage is accepted for insurance, of a property upon which there is located a dwelling designed principally for a single-family resident, and which is approved for mortgage insurance prior to the beginning of construction: *Provided*, That the mortgagor shall be the owner and occupant<sup>2</sup> of the property at the time of insurance and shall have paid on account of the property at least 5 per centum of the Secretary's estimate of the cost of acquisition in cash or its equivalent, or shall be the builder constructing the dwelling, in which case the principal obligation shall not exceed 85 per centum of the appraised value of the property or \$5,100: *Provided further*, That the Secretary finds that the project with respect to which the mortgage is executed is an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income particularly in suburban and outlying areas: *And provided further*, That, where the mortgagor is the owner and occupant of the property and establishes (to the satisfaction of the Secretary) that his home, which he occupied as an owner or as a tenant, was destroyed or damaged to such an extent that reconstruction is required as a result of a flood, fire, hurricane, earthquake, storm or other catastrophe, which the President, pursuant to sections 102(2)<sup>3</sup> and 301 of the Disaster Relief Act of 1974 has determined to be a major disaster, such maximum dollar limitation may be increased by the Secretary from \$5,700 to \$7,000, and the percentage limitation may be increased by the Secretary from 95 per centum to 100 per centum of the appraised value;<sup>4</sup>

(3) have a maturity satisfactory to the Secretary but not to exceed thirty years from the date of insurance of the mortgage;

(4) contain complete amortization provisions satisfactory to the Secretary requiring periodic payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Secretary;

(5) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed 5 per centum per

<sup>1</sup> Par. (2) amended to read as set forth in the text by sec. 2 of the Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 121.

<sup>2</sup> See sec. 216 of the National Housing Act.

<sup>3</sup> Sec. 301(b), Disaster Relief Act of 1970, Public Law 91-606, approved December 31, 1970, 84 Stat. 1744, 1758, deleted at this point the reference to Federal disaster assistance under Public Law 875, Eighty-first Congress, and substituted the reference to sec. 102(1) of the Disaster Relief Act of 1970. Sec. 602(b) of Disaster Relief Act of 1974, Public Law 93-288, 88 Stat. 143, approved May 22, 1974, substituted "sections 102(2) and 301 of the Disaster Relief Act of 1974" for "section 102(1) of the Disaster Relief Act of 1970".

<sup>4</sup> See sec. 203(h) of the National Housing Act as added by the Housing Act of 1954, Public Law 560, 83d Congress, 68 Stat. 590, 592.

annum on the amount of the principal obligation outstanding at any time;

(6) provide, in a manner satisfactory to the Secretary, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided and to the service charge, if any) to amortization of the principal of the mortgage; and

(7) contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, service charges, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, and other matters as the Secretary may in his discretion prescribe.

(c) The Secretary is authorized to fix a premium charge for the insurance of mortgages under this section, but in the case of any mortgage, such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the mortgagee, either in cash or in debentures issued by the Secretary under this section at par plus accrued interest, in such manner as may be prescribed by the Secretary: *Provided*, That the Secretary may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Secretary finds, upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required, that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe. In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date, the Secretary is further authorized, in his discretion, to require the payment by the mortgagee of an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

(d) The Secretary may, at any time under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

(e) Any contract of insurance executed by the Secretary under this section shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

(f) In any case in which the mortgagee under a mortgage insured under this section shall have foreclosed and taken possession of the mortgaged property in accordance with the regulations of, and within a period to be determined by, the Secretary, or shall, with the consent of the Secretary, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefits of the insurance as provided in section 204(a) of this Act with respect to mortgages insured under section 203(b) (2) (D) of this Act.

(g) Subsections (c), (d), (e), (f), (g), (h), (j), and (k) <sup>1</sup> of section 204 of this Act shall be applicable to mortgages insured under this section except that all references therein to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, and all references therein to section 203 shall be construed to refer to this section: *Provided*, That debentures issued in connection with mortgages insured under this section 8 shall have the same tax exemption as debentures issued in connection with mortgages insured under section 203 of this Act.

SEC. 9. The provisions of sections 2 and 8 shall be applicable in the several States and Puerto Rico, the District of Columbia, Guam, the <sup>2</sup> Trust Territory of the Pacific Islands, and the Virgin Islands.

## TITLE II—MORTGAGE INSURANCE

### DEFINITIONS

SEC. 201. As used in section 203 of this title—

(a) The term “mortgage” means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed; and the term “first mortgage” means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instrument, if any, secured thereby.

(b) The term “mortgagee” includes the original lender under a mortgage, and his successors and assigns approved by the Secretary; and the term “mortgagor” includes the original borrower under a mortgage and his successors and assigns.

(c) The term “maturity date” means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

(d) The term “State” includes the several States and Puerto Rico, the District of Columbia, Guam, the <sup>2</sup> Trust Territory of the Pacific Islands, and the Virgin Islands.

### MUTUAL MORTGAGE INSURANCE FUND

SEC. 202. There is hereby created a Mutual Mortgage Insurance Fund (hereinafter referred to as the “Fund”), which shall be used by the Secretary as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under section 203 as hereinafter provided, and there shall be allocated immediately to such

<sup>1</sup> Sec. 116(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 78 Stat. 654, 664, inserted “(j)” and “(k)”.

<sup>2</sup> Sec. 403(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 395, inserted “the Trust Territory of the Pacific Islands.”



Fund the sum of \$10,000,000 out of funds made available to the Secretary for the purposes of this title.

## INSURANCE OF MORTGAGES

SEC. 203. (a) The Secretary is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Secretary may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon.<sup>1</sup>

(b) To be eligible for insurance under this section a mortgage shall—

(1) Have been made to, and be held by, a mortgagee approved by the Secretary as responsible and able to service the mortgage properly.

(2) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$60,000<sup>2</sup> in the case of property upon which there is located a dwelling designed principally for a one-family residence; or \$65,000<sup>2</sup> in the case of a two-family residence (whether or not such one- or two-family residence may be intended to be rented temporarily for school purposes); or \$65,000<sup>2</sup> in the case of a three-family residence; or \$75,000<sup>2</sup> in the case of a four-family residence; and (except<sup>3</sup> as provided in the next to the last sentence of this paragraph) not to exceed an amount equal to the sum of (i) 97 per centum<sup>4</sup> of \$25,000 of the appraised value of the property, as of the date the mortgage is accepted for insurance, and (ii) <sup>5</sup> 95 per centum of such value in excess of \$25,000.<sup>6</sup> If the mortgagor is a veteran<sup>6</sup> and the mortgage to be insured under this section covers property upon

<sup>1</sup> Sec. 604(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 177, deleted the remainder of this sentence which read: "Provided, That the aggregate amount of principal obligations of all mortgages insured under this title and outstanding at any one time shall not exceed \$7,750,000,000 except that with the approval of the President such aggregate amount may be increased at any time or times by additional amounts aggregating not more than \$1,250,000,000 upon a determination by the President taking into account the general effect of any such increase upon conditions in the building, industry and upon the national economy, that such increase is in the public interest."

<sup>2</sup> Sec. 113(a)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, increased the dollar limits on one-family homes from "\$30,000" to "\$33,000", on two- and three-family homes from "\$32,500" to "\$35,750", and on four-family homes from "\$37,500" to "\$41,250". Sec. 302(a) of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$45,000" for "\$33,000", "\$48,750" for "\$35,750", and "\$56,000" for "\$41,250", each place it appears. Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977 substituted "\$60,000" for "\$45,000", "\$65,000" for "\$48,750", and "\$75,000" for "\$56,000".

<sup>3</sup> Sec. 206(a)(1), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466, inserted this parenthetical phrase.

<sup>4</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted following "per centum" the following language "(but in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction unless the construction of the dwelling was completed more than 1 year prior to the application for mortgage insurance or the dwelling was approved for guaranty, insurance, or direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction, 90 per centum)".

<sup>5</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted clause (ii) and (iii) which read "(ii) 90 per centum of such value in excess of \$25,000 but not in excess of \$35,000 and (iii) 80 per centum of such value in excess of \$35,000", and inserted in lieu thereof the language as set forth in the text.

<sup>6</sup> Sec. 301, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1266, deleted at this point the words "who has not received any direct, guaranteed, or insured loan under laws administered by the Veterans' Administration for the purchase, construction, or repair of a dwelling (including a farm dwelling) which was to be owned and occupied by him as his home," with the exception of this deletion, this sentence and the following sentence were added by sec. 206(a)(2), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466.

which there is located a dwelling designed principally for a one-family residence, the principal obligation may be in an amount equal to the sum of (i) 100 per centum of \$25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, and (ii) 95 per centum of such value in excess of \$25,000.<sup>1</sup> Notwithstanding any other provision of this section, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, such mortgage shall not exceed 90 per centum of the entire appraised value of the property as of the date the mortgage is accepted for insurance, unless the dwelling was completed more than one year prior to the application for mortgage insurance, or the dwelling was approved for guaranty, insurance, or a direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction.<sup>2</sup> As used herein, the term "veteran" means any person who served on active duty in the armed forces of the United States for a period of not less than 90 days (or is certified by the Secretary of Defense as having performed extra-hazardous service), and who was discharged or released therefrom under conditions other than dishonorable.

Notwithstanding any other provision of this paragraph, the amount which may be insured under this section may be increased by up to 20 percent if such increase is necessary to account for the increased cost of the residence due to the installation of a solar energy system (as defined in subparagraph (3) of the last paragraph of section 2(a) of this Act) therein.<sup>3</sup>

(3) <sup>4</sup> Have a maturity satisfactory to the Secretary, but not to exceed, in any event, thirty-five years (or thirty years if such mortgage is not approved for insurance prior to construction) from the date of the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements, whichever is the lesser.

(4) Contain complete amortization provisions satisfactory to the Secretary requiring periodic payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Secretary.

(5) <sup>5</sup> Bear interest (exclusive of premium charges for insurance, and service charges if any) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or

<sup>1</sup> Sec. 102(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, substituted "\$25,000" for "\$20,000". Sec. 310(a) (1) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, substituted "\$25,000" for "\$15,000"; Sec. 310(a) (2) of such Act substituted "\$25,000" and "\$35,000" for "\$15,000" and "\$25,000"; Sec. 310(a) (3) of such Act substituted "\$35,000" for "\$25,000"; Sec. 203, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466, substituted "80 per centum" for "75 per centum"; also please see footnote No. 4 on previous page.

<sup>2</sup> See footnote 6 on previous page.

<sup>3</sup> The preceding sentence was added by Sec. 248(a), National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.

<sup>4</sup> Immediately prior to amendment by secs. 605(c) and 612(a), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 173, this paragraph read as follows:

"(3) Have a maturity satisfactory to the Commissioner, but not to exceed, in any event, thirty years from the date of the insurance of the mortgage or three-quarters of the Commissioner's estimate of the remaining economic life of the building improvements, whichever is the lesser."

<sup>5</sup> Immediately prior to amendment by sec. 106, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 591, sec. 203(b) (5) read as follows:

"(5) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed 6 per centum per annum if the Commissioner finds that in certain areas or under special circumstances the mortgage market demands it, or not to exceed 4 per centum per annum in the case of a mortgage insured under paragraph (2) (D) of this subsection, or not to exceed such per centum per annum, not in excess of 5 per centum, as the Commissioner finds necessary to meet the mortgage market."



not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market.

(6) Provide, in a manner satisfactory to the Secretary, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided) to amortization of the principal of the mortgage.

(7) Contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

(8) <sup>1</sup> In the case of a mortgagor who is not the occupant of the property, have a principal obligation not in excess of an amount equal to 85 per centum of the amount computed under the provisions of paragraph (2) of this subsection: *Provided*,<sup>2</sup> That such 85 per centum limitation shall not be applicable if the mortgagor and mortgagee assume responsibility in a manner satisfactory to the Secretary for the reduction of the mortgage by an amount not less than 15 per centum of the outstanding principal amount thereof in the event the mortgaged property is not, prior to the due date of the eighteenth amortization payment of the mortgage, sold to a purchaser acceptable to the Secretary who is the occupant of the property and who assumes and agrees to pay the mortgage indebtedness.

(9) Be executed by a mortgagor who shall have paid on account of the property (except <sup>3</sup> in a case to which the next to the last sentence of paragraph (2) applies) at least 3 per centum, or such larger amount as the Secretary may determine, of the Secretary's estimate of the cost of acquisition in cash or its equivalent: *Provided*, That with respect to a mortgage executed by a mortgagor who is sixty years of age or older as of the date the mortgage is endorsed for insurance or with respect to a mortgage meeting the requirements of subsection (i) of this section, or <sup>4</sup> with respect to a mortgage covering a single-family home being purchased under the low-income housing demonstration project assisted pursuant to section 207 of the Housing Act of 1961, the mortgagor's payment required by this subsection may be paid by a corporation or person other than the mortgagor under such terms and conditions as the Secretary may prescribe.

(c) <sup>5</sup> The Secretary is authorized to fix premium charges for the insurance of mortgages under the separate sections of this title but in the case of any mortgage such charge shall be not less than an amount equivalent to one-fourth of 1 per centum per annum nor more

<sup>1</sup> Added by sec. 101(b) of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 295.

<sup>2</sup> Proviso added by sec. 102(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654.

<sup>3</sup> Sec. 206(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466, inserted this parenthetical phrase.

<sup>4</sup> This clause inserted by sec. 204, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466.

<sup>5</sup> Immediately prior to amendment by sec. 606, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 178, this sentence read as follows:

"The Commissioner is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments: *Provided*, That a premium charge so fixed and computed shall also be applicable to each mortgage insured prior to the date of enactment of the National Housing Act Amendments of 1938 in lieu of any premium charge which would otherwise become due after such date with respect to such mortgage: *Provided further*, That in the case of any mortgage described in section 203(b)(2)(B) and accepted for insurance after such date and prior to July 1, 1939, the premium charge shall be one-fourth of 1 per centum per annum on such outstanding principal obligation."



than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments "*Provided*, That premium charges fixed for insurance under subsections (n) and (k) are <sup>1</sup> not required to be the same as the premium charges for mortgages insured under the other provisions of this section, but in no case shall premium charges under subsection (n) or (k) <sup>2</sup> exceed 1 per centum per annum <sup>3</sup>: *Provided*, That any reduced premium charge so fixed and computed may, in the discretion of the Secretary, also be made applicable in such manner as the Secretary shall prescribe to each insured mortgage outstanding under the section or sections involved at the time the reduced premium charge is fixed. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Secretary under this title at par plus accrued interest, in such manner as may be prescribed by the Secretary: *Provided* <sup>4</sup> That debentures presented in payment of premium charges shall represent obligations of the particular insurance fund or <sup>5</sup> account to which such premium charges are to be credited: *Provided further*, That the Secretary may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Secretary finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe; but no mortgage shall be accepted for insurance under this section unless the Secretary finds that the project with respect to which the mortgage is executed is economically sound. In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

(d) Repealed.<sup>6</sup>

(e) <sup>7</sup> Any contract of insurance heretofore or hereafter executed by

<sup>1</sup> Sec. 101(c)(2) of the Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 (1978), added subsection (k) to this proviso:

<sup>2</sup> *Id.*

<sup>3</sup> This sentence added by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977.

<sup>4</sup> This proviso added by sec. 107 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 592.

<sup>5</sup> Sec. 612(a)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, added "or account."

<sup>6</sup> Subsec. (d) of sec. 203 repealed by sec. 106 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 297.

<sup>7</sup> Immediately prior to amendment by sec. 102(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 157, section 203(e) read as follows:

"(e) Any contract of insurance heretofore or hereafter executed by the Commissioner under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee."

the Secretary under this title shall be conclusive evidence of the eligibility of the loan or mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved financial institution or approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved financial institution or approved mortgagee.

(f) Repealed.<sup>1</sup>

(g) Repealed.<sup>1</sup>

(h) <sup>2</sup> Notwithstanding any other provision of this section, the Secretary is authorized to insure any mortgage which involves a principal obligation not in excess of \$14,400 <sup>3</sup> and not in excess of 100 per centum of the appraised value of a property upon which there is located a dwelling designed principally for a single-family residence, where the mortgagor is the owner and occupant and establishes (to the satisfaction of the Secretary) that his home which he occupied as an owner or as a tenant was destroyed or damaged to such an extent that reconstruction is required as a result of a flood, fire, hurricane, earthquake, storm, riot <sup>4</sup> or civil disorder, or other catastrophe, which the President, pursuant to section 102(2) <sup>5</sup> and 301 of the Disaster Relief Act of 1974, has determined to be a major disaster.

(i) <sup>6</sup> The Secretary is authorized to insure under this section, any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection, which involves a principal obligation not in excess of 75 per centum of the limit on the principal obligation applicable to a one-family residence under subsection

<sup>1</sup> Repealed by sec. 109, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 592.

<sup>2</sup> Added by sec. 110, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 592.

<sup>3</sup> Sec. 113(a)(2), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, substituted "\$14,400" for "\$12,000".

<sup>4</sup> Sec. 1106(d), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 567, inserted "riot or civil disorder."

<sup>5</sup> Sec. 301(c), Disaster Relief Act of 1970, Public Law 91-606, approved December 31, 1970, 84 Stat. 1744, 1758, deleted at this point the reference to Federal disaster assistance under Public Law 875, 81st Congress, and substituted the reference to sec. 102(1) of the Disaster Relief Act of 1970. Sec. 602(c) of the Disaster Relief Act of 1974, Public Law 93-288, 88 Stat. 143, approved May 22, 1974, substituted "sections 102(2) and 301 of Disaster Relief Act of 1974" for "section 102(1) of the Disaster Relief Act of 1970".

<sup>6</sup> Subsec. 203(i) amended to read as set forth in the text by sec. 103, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 655, except that sec. 317, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512, substituted "\$13,500" for "\$12,500", and sec. 205, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466, substituted "\$12,500" for "\$11,000".

Immediately prior to amendment by sec. 103, Housing Act of 1959, subsection 203(i) read as follows:

"(i) The Commissioner is authorized to insure under this section, any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection, which involves a principal obligation not in excess of \$8,000 and not in excess of 97 per centum of the appraised value of a property located in an area where the Commissioner finds it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on housing in built-up urban areas, upon which there is located a dwelling designed principally for a single family residence, and which is approved for mortgage insurance prior to the beginning of construction: *Provided*, That if the mortgagor is not the occupant of the property at the time of insurance, the principal obligation of the mortgage shall not exceed 85 per centum of the appraised value of the property: *Provided further*, That the Commissioner finds that the property with respect to which the mortgage is executed is an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income particularly in suburban and outlying areas or small communities: *Provided further*, That under the foregoing provisions of this subsection the Commissioner is authorized to insure any mortgage issued with respect to the construction of a farm home on a plot of land five or more acres in size adjacent to a public highway, the total amount of insurance outstanding at any one time under this proviso not to exceed \$100,000,000."



(b) of this section<sup>1</sup> and not in excess of 97 per centum (or, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, unless the construction of the dwelling was completed more than one year prior to the application for mortgage insurance or the dwelling was approved for guaranty, insurance, or direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction, 90 per centum) of the appraised value of a property located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on housing in built-up urban areas, upon which there is located a dwelling designed principally for a single-family residence: *Provided*, That if the mortgagor is not the occupant of the property at the time of insurance, the principal obligation of the mortgage shall not exceed 85 per centum of the appraised value of the property: *Provided further*, That the Secretary finds that the property with respect to which the mortgage is executed is an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income particularly in suburban and outlying areas or small communities: *Provided further*, That under the foregoing provisions of this subsection the Secretary is authorized to insure any mortgage issued with respect to a farm home on a plot of land five or more acres in size adjacent to a public highway.

(j)<sup>2</sup> Loans secured by mortgages insured under this section shall not be taken into account in determining the amount of real estate loans which a national bank may make in relation to its capital and surplus or its time and savings deposits.

(k) (1)<sup>3</sup> The Secretary may, in order to assist in the rehabilitation of one- to four-family structures used primarily for residential purposes, insure and make commitments to insure rehabilitation loans (including advances made during rehabilitation) made by financial institutions on and after 180 days following the date of the enactment of the Housing and Community Development Amendments of 1978. Such commitments to insure and such insurance shall be made upon such terms and conditions which the Secretary may prescribe and which are consistent with the provisions of subsections (b), (c), (e), (i) and (j) of this section, except as modified by the provisions of this subsection.

(2) For the purpose of this subsection—

(A) the term "rehabilitation loan" means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit, made for the purpose of financing—

(i) the rehabilitation of an existing one- to four-unit

<sup>1</sup> Sec. 113(a)(3). Housing and Urban Development Act of 1960, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, substituted "\$16,200" for "\$13,500"; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "\$16,200" and inserted "75 per centum of the limit on the principal obligation applicable to a one-family residence under subsection (b) of this section."

<sup>2</sup> Added by sec. 809, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 688.

<sup>3</sup> Housing and Community Development Amendments of 1978, sec. 101(c)(1). Public Law 95-557, 92 Stat. 2080 (1978), amending Housing Act of 1961, sec. 102(b), Public Law 87-70, 75 Stat. 149 (1961).



structure which will be used primarily for residential purposes;

(ii) the rehabilitation of such a structure and the refinancing of the outstanding indebtedness on such structure and the real property on which the structure is located; or

(iii) the rehabilitation of such a structure and the purchase of the structure and the real property on which it is located; and

(B) the term "rehabilitation" means the improvement (including improvements designed to meet cost-effective energy conservation standards prescribed by the Secretary) or repair of a structure, or facilities in connection with a structure, and may include the provision of such sanitary or other facilities as are required by applicable codes, a community development plan, or a statewide property insurance plan to be provided by the owner or tenant of the project.

(3) To be eligible for insurance under this subsection, a rehabilitation loan shall—

(A) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount which does not exceed, when added to any outstanding indebtedness of the borrower which is secured by the structure and the property on which it is located, the amount specified in subsection (b) (2); except that, in determining the amount of the principal obligation for purposes of this subsection, the Secretary shall establish as the appraised value of the property an amount not to exceed the sum of the estimated cost of rehabilitation and the Secretary's estimate of the value of the property before rehabilitation;

(B) bear interest at a rate permitted by the Secretary for mortgages insured under this section; except that the Secretary may permit a higher rate of interest to be applied to the loan with respect to the period beginning with the making of the loan and ending with the completion of the rehabilitation or such earlier time as the Secretary may determine;

(C) be an acceptable risk, as determined by the Secretary; and

(D) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

(4) Any rehabilitation loan insured under this subsection may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term which exceeds the maximum provided for in this subsection.

(5) All funds received and all disbursements made pursuant to the authority established by this subsection shall be credited or charged, as appropriate, to the General Insurance Fund, and insurance benefits shall be paid in cash out of such Fund or in debentures executed in the name of such Fund. Insurance benefits paid with respect to loans insured under this subsection shall be paid in accordance with paragraphs (6) and (7) of section 220(h), except that any reference to "this subsection" in such paragraphs shall be construed as referring to this subsection.

(l) Repealed.<sup>1</sup>

(m)<sup>2</sup> The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a principal obligation not in excess of \$18,000 and not in excess of 75 per centum of the appraised value of the property, as of the date the mortgage is accepted for insurance. The mortgage shall cover a dwelling for single-family occupancy which is approved for mortgage insurance prior to the beginning of construction. The dwelling need not be designed for year-round occupancy, but it shall (1) meet standards prescribed by the Secretary, and (2) be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The development of the property with respect to which the mortgage is executed shall be consistent with the conservation of water and other natural resources of the area, and such property shall be an acceptable risk, giving consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward improving the area. The Secretary may suspend the issuance of commitments under this subsection for the insurance of mortgages secured by properties situated in any area, whenever he determines that (i) there is a serious and unusual shortage of mortgage funds for residential construction in such area, (ii) such insurance would affect materially and adversely the availability of mortgage funds for residential construction in such area, and (iii) such suspension would not have an adverse impact upon the balanced economic development of the area.

(n)(1) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a dwelling unit in a cooperative housing project which is covered by a blanket mortgage insured under this Act. The mortgage amount as determined under the other provisions of subsection (b) of this section shall be reduced by an amount equal to the portion of the unpaid balance of the blanket mortgage covering the project which is attributable (as of the date the mortgage is accepted for insurance) to such unit.

(2) For the purpose of this subsection—

<sup>1</sup> Sec. 203(l), which authorized insurance of mortgages in riot-affected areas, was repealed by sec. 103, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 486. But see sec. 223, which permits relaxation of insurance requirements in older, declining areas.

<sup>2</sup> Sec. 203(m) was inserted by sec. 318, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512, except that sec. 113(a)(4), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, substituted "\$18,000" for "\$15,000".

(A) The terms "home mortgage" and "mortgage" include a first lien given (in accordance with the laws of the State where the property is located and accompanied by such security and other undertakings as may be required under regulations of the Secretary) to secure a loan made to finance the purchase of stock or membership in nonprofit cooperative ownership housing corporation the permanent occupancy of the dwelling units of which is restricted to members of such corporation, where the purchase of such stock or membership will entitle the purchaser to the permanent occupancy of one of such units.

(B) The terms "appraised value of the property", "value of the property", and "value" include the appraised value of a dwelling unit in a cooperative housing project of the type described in subparagraph (A) where the purchase of the stock or membership involved will entitle the purchaser to the permanent occupancy of that unit; and the term "property" includes a dwelling unit in such a cooperative project.

(C) The term "mortgagor" includes a person or persons giving a first lien (of the type described in subparagraph (A)) to secure a loan to finance the purchase of stock or membership in a cooperative housing corporation.<sup>1</sup>

(o) (1) Notwithstanding any other provision of this section or any other section of this title, the Secretary is authorized to insure, and to commit to insure, under subsection (b) of this section as modified by this subsection a mortgage which meets both the requirements of this subsection and such criteria as the Secretary by regulation may prescribe to further the purpose of this subsection, in any community where the Secretary determines that—

(A) temporary adverse economic conditions exist throughout the community as a direct and primary result of outstanding claims to ownership of land in the community by an American Indian tribe, band, or Nation;

(B) such ownership claims are reasonably likely to be settled, by court action or otherwise;

(C) as a direct result of the community's temporarily impaired economic condition, owner occupants of homes in the community have been involuntarily unemployed or underemployed and have thus incurred substantial reductions in income which significantly impair their ability to continue timely payment of their mortgages;

(D) as a result, widespread mortgage foreclosures and distress sales of homes are likely in the community; and

(E) fifty or more individual homeowners were joined as parties defendant or were members of a defendant class prior to December 31, 1976, in litigation involving claims to ownership of land in the community by an American Indian tribe, band, or Nation.

(2) A mortgage shall be eligible for insurance under subsection (b) of this section as modified by this subsection without regard to limitations in this title relating to a mortgagor's reasonable ability to pay, economic soundness, marketability of title, or any other statutory restriction which the Secretary determines is contrary to the purpose of this subsection, but only if the mortgagor is an owner occupant of a

<sup>1</sup> Sec. 4(b) of Emergency Home Purchase Assistance Act of 1974, Public Law 93-449, 88 Stat. 1364, approved October 18, 1974, added this new section (n).



home in a community specified in paragraph (1) who, as a direct result of the community's temporarily impaired economic condition, has been involuntarily unemployed or underemployed and has thus incurred a substantial reduction in income which significantly impairs the owner's ability to continue timely payment of the mortgage. The Secretary is authorized to encourage or afford directly to or on behalf of mortgagors whose mortgages are insured under subsection (b) as modified by this subsection forebearance, assignment of mortgages to the Secretary, or such other relief as the Secretary deems appropriate and consistent with the purpose of this subsection. The Secretary, in connection with any mortgage insured under subsection (b) as modified by this subsection, shall have all statutory powers, authority, and responsibilities which the Secretary has with respect to other mortgages insured under subsection (b), except that the Secretary may modify such powers, authority, or responsibilities where the Secretary deems such action to be necessary because of the special nature of the mortgage involved. Notwithstanding section 202 of this title, the insurance of a mortgage under subsection (b) of this section as modified by this subsection shall be the obligation of the Special Risk Insurance Fund created pursuant to section 238 of this title.<sup>1</sup>

#### PAYMENT OF INSURANCE

SEC. 204.<sup>2</sup> (a) In any case which the mortgagee under a mortgage insured under section 203 shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Secretary, or shall, with the consent of the Secretary, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Secretary of title to the property which meets the requirements of rules and regulations of the Secretary in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations, and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Secretary. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Secretary shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and (subject to subsection (e) (2)) a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, inserted Secs. 204(o) (1) and (2).

<sup>2</sup> Secs. 104(a) and 105(a), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 770, 771, 772, made changes in the provisions of this section for the payment of insurance benefits. The changes are designed to simplify payment procedures.

taxes, ground rents, and water rates, which are liens prior to the mortgage, special assessments which are noted on the application for insurance or which become liens after the insurance of the mortgage, charges for the administration, operation, maintenance and repair of community-owned property or the maintenance and repair of the mortgaged property, the obligation for which arises out of a covenant filed for record and approved by the Secretary prior to the insurance of the mortgage, insurance on the mortgaged property, and any mortgage insurance premiums, and any tax imposed by the United States<sup>1</sup> upon any deed or other instrument by which said property was acquired by the mortgagee and transferred or conveyed to the Secretary, and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are accepted for insurance under section 203(b)(2)(B) of this Act, and which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Secretary, on account of foreclosure costs actually paid by the mortgagee and approved by the Secretary an amount not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of \$75: *And provided further*, That with respect to mortgages which are accepted for insurance under section 203(b)(2)(D) or under the second<sup>2</sup> proviso of section 207(c)(2) of this Act, or under section 213 of this Act, or with respect to any mortgage accepted for insurance under section 203 on or after effective date<sup>3</sup> of the Housing Act of 1954, there may be included in the debentures issued by the Secretary on account of the cost of foreclosure (or of acquiring the property by other means) actually paid by the mortgagee and approved by the Secretary an amount, not in excess of two-thirds of such cost or \$75 whichever is the greater: *And provided further*, That with respect to a mortgage accepted for insurance pursuant to a commitment issued on or after the date of enactment of the Housing Act of 1964,<sup>4</sup> the Secretary may include in debentures or in the cash payment an amount not to exceed the foreclosure, acquisition, and conveyance costs actually paid by the mortgagee and approved by the Secretary: *And provided further*, That with respect to a mortgage accepted for insurance pursuant to a commitment issued prior to date of enactment of the Housing Act of 1964<sup>4</sup> the Secretary may, with the consent of the mortgagee (in lieu of issuing a certificate of claim as provided in subsection (e)), include in debentures or in the cash payment, in addition to amounts otherwise allowed for such costs, an amount not to exceed one-third of the total foreclo-

<sup>1</sup> Provision for addition of Federal tax added by sec. 111(1) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 593.

<sup>2</sup> This proviso has been deleted from sec. 207(c)(2) and reference thereto is erroneous.

<sup>3</sup> Provision with respect to mortgages accepted for insurance after the effective date of the Housing Act of 1954 added by sec. 111(2) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 593. Effective date of Housing Act of 1954, August 2, 1954.

<sup>4</sup> September 2, 1964.



sure, acquisition, and conveyance costs actually paid by the mortgagee and approved by the Secretary, but in no event may the total allowance for such costs exceed the amount actually paid by the mortgagee: *And provided further*, That with respect to mortgages to which the provisions of sections 302 and 306 of the Soldiers' and Sailors' Civil Relief Act of 1940, as now or hereafter amended, apply and which are insured under section 203 of the National Housing Act, as now or hereafter amended, and subject to such regulations and conditions as the Secretary may prescribe, there shall be included in the debentures an amount which the Secretary finds to be sufficient to compensate the mortgagee for any loss which it may have sustained on account of interest on debentures by reason of its having postponed the institution of foreclosure proceedings or the acquisition of the property by other means during any part or all of the period of such military service and three months thereafter: *And provided further*, That where the claim is paid in cash there shall be included in the cash payment an amount equivalent to the compensation for loss of debenture interest that would be included in computing debentures if such claim were being paid in debentures: *And provided further*, That with respect to any mortgage covering a one-, two-, three-, or four-family residence insured under this Act, if the Secretary finds, after notice of default, that the default was due to circumstances beyond the control of the mortgagor, he may, upon such terms and conditions as he may prescribe, (1) approve the request of the mortgagee for an extension of the time for the curing of the default and of the time for commencing foreclosure proceedings or for otherwise acquiring title to the mortgaged property to such time as the Secretary may determine is necessary and desirable to enable the mortgagor to complete the mortgage payments, including an extension of time beyond the stated maturity of the mortgage, and in the event of a subsequent foreclosure or acquisition of the property by other means the Secretary is authorized to include in the debentures an amount equal to any unpaid mortgage interest, or (2) approve a modification of the terms of the mortgage for the purpose of changing the amortization provisions by recasting, over the remaining term of the mortgage or over such longer period as may be approved by the Secretary, the total unpaid amount then due, as determined by the Secretary, with the modification to become effective currently or to become effective upon the termination of an agreed-upon extension of the period for curing the default; and the principal amount of the mortgage, as modified, shall be considered to be the "original principal obligation of the mortgage" as that term is used in this Act for the purpose of computing the total face value of the debentures to be issued or the cash payment to be made by the Secretary to a mortgagee: *And provided further*,<sup>1</sup> That, notwithstanding any requirement contained in this Act that debentures may be issued only upon acquisition of title and possession by the mortgagee and its subsequent conveyance and transfer to the Secretary, and for the purpose of avoiding unnecessary conveyance expense in connection with payment of insurance benefits under the provisions of this Act, the Secretary is author-

<sup>1</sup> This proviso added by sec. 111(3) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 593.



ized, subject to such rules and regulations as he may prescribe, to permit the mortgagee to tender to the Secretary a satisfactory conveyance of title and transfer of possession direct from the mortgagor or other appropriate grantor and to pay the insurance benefits to the mortgagee which it would otherwise be entitled to if such conveyance had been made to the mortgagee and from the mortgagee to the Secretary.

(b) The Secretary may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

(c) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$350, shall be adjusted by the payment of cash by the Secretary to the mortgagee from the Mutual Mortgage Insurance Fund.

(d) The debentures issued under this section to any mortgagee with respect to mortgages insured under section 203 shall be executed in the name of the Mutual Mortgage Insurance Fund as obligor, shall be signed by the Secretary by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default: *Provided*, That debentures issued pursuant to claims for insurance filed on or after the date of enactment of the Housing Act of 1964<sup>1</sup> shall be dated as of the date of default or as of such later date as the Secretary, in his discretion, may establish by regulation. The debentures shall bear interest from such date at a rate<sup>2</sup> established by the Secretary pursuant to section 224, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature twenty years<sup>3</sup> after the date thereof. Such debentures as are issued in exchange for property covered by mortgages insured under section 203 or section 207 prior to the date of enactment of the National Housing Act Amendments of 1938 shall be subject only to such Federal, State, and local taxes as the mortgages in exchange for which they are issued would be subject to in the hands of the holder of the debentures and shall be a liability of the

<sup>1</sup> September 2, 1964.

<sup>2</sup> Sec. 108(a), Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 297, substituted "established by the Commissioner pursuant to section 224," for "determined by the Commissioner, with the approval of the Secretary of the Treasury, at the time the mortgage was offered for insurance, but not to exceed 3 per centum per annum".

<sup>3</sup> Sec. 112(a) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 593, amended sec. 204(d) to provide (as set forth in the text) that all these debentures shall have 20-year maturities. Sec. 112(e) of the Housing Act of 1954 provided, however, that the change in maturity provisions "shall not apply in any case where the mortgage involved was insured or the commitment for such insurance was issued prior to the effective date of the Housing Act of 1954." Prior to amendment by the 1954 act sec. 204(d) provided that these debentures matured 3 years after the 1st day of July following the maturity date of the mortgage in exchange for which the debentures were issued, except that debentures issued with respect to sec. 213 mortgages matured 20 years after the date of the debentures.

Mutual Mortgage Insurance Fund, but such debentures shall be fully and unconditionally guaranteed as to principal and interest by the United States; but any mortgagee entitled to receive any such debentures may elect to receive in lieu thereof a cash adjustment and debentures issued as hereinafter provided and bearing the current rate of interest. Such debentures as are issued in exchange for property covered by mortgages insured after the date of enactment of the National Housing Act Amendments of 1938 shall be exempt, both as to principal and interest, from all taxation (except surtax, estate, inheritance, and gift taxes) now or hereafter imposed by the United States,<sup>1</sup> by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; and such debentures shall be paid out of the Mutual Mortgage Insurance Fund, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event that the Mutual Mortgage Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures issued under this section, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(e) (1) Subject to paragraph (2), the certificate of claim issued by the Secretary to any mortgagee shall be for an amount which the Secretary determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, at the time of the conveyance to the Secretary of the property covered by the mortgage, the mortgagor had redeemed the property and paid in full all obligations under the mortgage and a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings, or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Secretary. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate an increment at the rate of 3 per centum per annum which shall not be compounded. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (f).

(2) A certificate of claim shall not be issued and the provisions of paragraph (1) of this subsection shall not be applicable in the case of a mortgage accepted for insurance pursuant to a commitment issued on or after the date of enactment of the Housing Act of 1964.<sup>2</sup>

(f) (1) If, after deducting (in such manner and amount as the Secretary shall determine to be equitable and in accordance with sound accounting practice) the expenses incurred by the Secretary, the net amount realized from any property conveyed to the Secretary

<sup>1</sup> Debentures issued in connection with contracts entered into pursuant to commitments issued on or after March 1, 1941, do not carry such Federal tax exemption. See sec. 4, Public Debt Act of 1941, as amended, 31 U.S.C. 742a.

<sup>2</sup> September 2, 1964.



under this section and the claims assigned therewith exceed the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows:

(i) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Secretary shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property if the mortgage was insured under section 203: *Provided*, That on and after the date of enactment of the Housing Act of 1964, any excess remaining after payment to the holder of the full amount of the certificate of claim, together with the accrued interest increment thereon, shall be retained by the Secretary and credited to the applicable insurance fund; and

(ii) If such excess is equal to or less than the total amount payable under such certificate of claim, the Secretary shall pay to the holder of such certificate the full amount of such excess.

(2) <sup>1</sup> Notwithstanding any other provisions of this section, the Secretary is authorized with respect to mortgages insured pursuant to commitments for insurance issued after the date of enactment of the Housing Amendments of 1955,<sup>2</sup> and, with the consent of the mortgagee or mortgagor, as the case may be, with respect to mortgages insured pursuant to commitments issued prior to such date, to effect the settlement of certificates of claim and refunds to mortgagors at any time after the sale or transfer of title to the property conveyed to the Secretary under this section and without awaiting the final liquidation of such property for the purpose of determining the net amount to be realized therefrom: *Provided*, That the settlement authority created by the Housing Amendments of 1955 shall be terminated with respect to any certificates of claim outstanding as of the date of enactment of the Housing Act of 1964.<sup>3</sup>

(3) With the consent of the holder thereof, the Secretary is authorized, without awaiting the final liquidation of the Secretary's interest in the property, to settle any certificate of claim issued pursuant to subsection (e), with respect to which settlement had not been effected prior to the date of enactment of the Housing Act of 1964, by making payment in cash to the holder thereof of such amount not exceeding the face amount of the certificate of claim, together with the accrued interest thereon, as the Secretary may consider appropriate: *Provided*, That in any case where the certificate of claim is settled in accordance with the provisions of this paragraph, any amounts realized after the date of enactment of the Housing Act of 1964, in the liquidation of the Secretary's interest in the property, shall be retained by the Secretary and credited to the applicable insurance fund.

(g) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Secretary shall have power to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any

<sup>1</sup> This paragraph added by sec. 102(a) of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635.

<sup>2</sup> August 11, 1955.

<sup>3</sup> September 2, 1964.



other provision of law, the Secretary shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Secretary as provided in this section: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000. The power to convey and to execute in the name of the Secretary deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or <sup>1</sup> personal property or any interest therein heretofore or hereafter acquired by the Secretary pursuant to the provisions of this Act, may be exercised by an officer appointed by him, without the execution of any express delegation of power or power of attorney: *Provided*, That nothing in this subsection shall be construed to prevent the Secretary from delegating such power by order or by power of attorney, in his discretion, to any officer, agent, or employee he may appoint: <sup>2</sup> *And provided further*, That a conveyance or transfer of title to real or personal property or an interest therein to the Secretary of Housing and Urban Development, his successors and assigns, without identifying the Secretary therein, shall be deemed a proper conveyance or transfer to the same extent and of like effect as if the Secretary were personally named in such conveyance or transfer.

(h) No mortgagee or mortgagor shall have, and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Secretary or in any claim assigned to him; nor shall the Secretary owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collection of any such claim.

(j) <sup>2</sup> In the event that any mortgage under a mortgage insured under section 203 forecloses on the mortgaged property but does not convey such property to the Secretary in accordance with this section, and the Secretary is given written notice thereof, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, and the mortgagee pays any adjusted premium charge required under the provisions of section 203(c), and the Secretary is given written notice by the mortgagee of the payment of such obligation, the obligation to pay any subsequent premium charge for insurance shall cease, and all rights of the mortgagee and the mortgagor under this section shall terminate as of the date of such notice.

(k) <sup>3</sup> Notwithstanding any other provision of this section or of section 604 or 904 and with respect to any debentures issued in exchange for properties conveyed to and accepted by the Secretary after the

<sup>1</sup> Sec. 612(c), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, inserted "or personal", and also inserted the last proviso in subsection (g).

<sup>2</sup> Added by sec. 113, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 594. No subsec. 204(i) has been enacted.

<sup>3</sup> Immediately prior to amendment by sec. 117, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 664, subsection (k) read as follows:

"(k) Notwithstanding any other provision of this section or of section 604 or 904, with respect to any debentures issued pursuant to this section or section 604 or 904, the Commissioner may (1) include in such debentures reasonable payments made by the mortgagee, with the approval of the Commissioner, for the purpose of protecting, operating, or preserving the property, and taxes imposed upon any deed or other instrument by which the property was acquired by the mortgagee and transferred or conveyed to the Commissioner, and (2) terminate the mortgagee's obligation to pay mortgage insurance premiums upon receipt of an application for debentures filed by the mortgagee."

effective date of the Housing Act of 1959<sup>1</sup> in accordance with such sections, the Secretary may (1) include in debentures reasonable payments made by the mortgagee with the approval of the Secretary for the purpose of protecting, operating, or preserving the property, and taxes imposed upon any deed or any other instrument by which the property was acquired by the mortgagee and transferred or conveyed to the Secretary; (2) include in debentures as a portion of foreclosure costs (to the extent that foreclosure costs may be included in such debentures by any other provision of this Act) payments made by the mortgagee for the cost of acquiring the property and conveying and evidencing title to the property to the Secretary; and (3) terminate the mortgagee's obligation to pay mortgage insurance premiums upon receipt of an application for debentures filed by the mortgagee, or in the event the contract of insurance is terminated pursuant to section 229.

#### CLASSIFICATION OF MORTGAGES AND INSURANCE FUND

SEC. 205.<sup>2</sup> (a) The Secretary shall establish as of July 1, 1954, in the Mutual Mortgage Insurance Fund a General Surplus Account and a Participating Reserve Account. All of the assets of the General Reinsurance Account shall be transferred to the General Surplus Account whereupon the General Reinsurance Account shall be abolished. There shall be transferred from the various group accounts to the Participating Reserve Account as of July 1, 1954, an amount equal to the aggregate amount which would have been distributed under the provisions of section 205 in effect on June 30, 1954, if all outstanding mortgages in such group accounts had been paid in full on said date. All of the remaining balances of said group accounts shall as of said date be transferred to the General Surplus Account whereupon all of said group accounts shall be abolished.

(b) The aggregate net income thereafter received or any net loss thereafter sustained by the Mutual Mortgage Insurance Fund in any semiannual period shall be credited or charged to the General Surplus Account and/or the Participating Reserve Account in such manner and amounts as the Secretary may determine to be in accord with sound actuarial and accounting practice.

(c) Upon termination of the insurance obligation of the Mutual Mortgage Insurance Fund by payment of any mortgage insured thereunder, the Secretary is authorized to distribute to the mortgagor a share of the Participating Reserve Account in such manner and amount as the Secretary shall determine to be equitable and in accordance with sound actuarial and accounting practice: *Provided*, That, in no event, shall any such distributable share exceed the aggregate scheduled annual premiums of the mortgagor to the year of termination of the insurance.

(d) No mortgagor or mortgagee of any mortgage insured under section 203 shall have any vested right in a credit balance in any such account or be subject to any liability arising out of the mutuality of the Fund and the determination of the Secretary as to the amount to be paid by him to any mortgagor shall be final and conclusive.

<sup>1</sup> September 23, 1959.

<sup>2</sup> As amended by sec. 114, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 594.



## INVESTMENT OF FUNDS

SEC. 206. Moneys in the Fund not needed for the current operations of the Department of Housing and Urban Development related to insurance under section 203 shall be deposited with the Treasurer of the United States to the credit of the Fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States or<sup>1</sup> any agency of the United States: *Provided*, That such moneys shall to the maximum extent feasible be invested in such bonds or other obligations the proceeds of which will be used to directly support the residential mortgage market. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of section 204. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued, and the several group accounts to which such debentures have been charged shall be charged with the amounts used in making such purchases.

## RENTAL HOUSING INSURANCE

SEC. 207. (a) As used in this section—

(1) The term “mortgage” means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed, upon which there is located or upon which there is to be constructed a building or buildings designed principally for residential use or upon which there is located or to be constructed facilities for mobile homes;<sup>2</sup> and the term “first mortgage” means such classes of first liens as are commonly given to secure advances (including but not being limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and may be in the form of trust mortgages or mortgage indentures or deeds of trust securing notes, bonds, or other credit instruments.

(2) The term “mortgagee” means the original lender under a mortgage, and its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named.

(3) The term “mortgagor” means the original borrower under a mortgage and its successors and assigns.

(4) The term “maturity date” means the date on which the mortgage indebtedness would be extinguished if paid in accordance with the periodic payments provided for in the mortgage.

(5) The term “slum or blighted area” means any area where dwell-

<sup>1</sup> Sec. 117(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1774, added the remainder of this sentence.

<sup>2</sup> Sec. 103(a)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, substituted “mobile homes” for “trailer coach mobile dwellings”.



ings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

(6) The term "rental housing" means housing, the occupancy of which is permitted by the owner thereof in consideration of the payment of agreed charges, whether or not, by the terms of the agreement, such payment over a period of time will entitle the occupant to the ownership of the premises or space in a mobile home court or park<sup>1</sup> properly arranged and equipped to accommodate mobile homes.<sup>2</sup>

(7) The term "State" includes the several States, and<sup>3</sup> Puerto Rico, the District of Columbia, Guam, the<sup>4</sup> Trust Territory of the Pacific Islands, and the Virgin Islands.

(b) In addition to mortgages insured under section 203, the Secretary is authorized to insure mortgages as defined in this section (including advances on such mortgages during construction) which cover property held by—

(1) Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend or redevelopment or housing corporations restricted by Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operation; or

(2)<sup>5</sup> any other mortgagor approved by the Secretary which, until the termination of all obligations of the Secretary under the insurance and during such further period of time as the Secretary shall be the owner, holder, or reinsurer of the mortgage, is regulated or restricted by the Secretary as to rents or sales, charges, capital structure, rate of return, and methods of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Secretary may make such contracts with and acquire, for not to exceed \$100, such stock or interest in the mortgagor as he may deem necessary to render effective the regulations or restrictions. The stock or interest acquired by the Secretary shall be paid for out of the General Insurance Fund,

<sup>1</sup> Sec. 103(a)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, substituted "mobile home court or park" for "trailer court or park".

<sup>2</sup> Sec. 103(a)(1) Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, substituted "mobile homes" for "trailer coach mobile dwellings".

<sup>3</sup> Sec. 10(a), Alaska Omnibus Act, Public Law 86-70, approved June 25, 1959, 73 Stat. 141, 142, deleted "Alaska," and sec. 6, Hawaii Omnibus Act, Public Law 86-624, approved July 12, 1960, 74 Stat. 411, deleted "Hawaii".

<sup>4</sup> Sec. 403(c)(2), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 395, inserted "the Trust Territory of the Pacific Islands".

<sup>5</sup> Immediately prior to amendment by sec. 607(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 178, this paragraph read as follows:

"(2) Private corporations, associations, cooperative societies which are legal agents of owner-occupants, or trusts formed or created for the purpose of rehabilitating slum or blighted areas, or providing housing for rent or sale, and which possess powers necessary therefor and incidental thereto, and which, until the termination of all obligations of the Commissioner under such insurance, are regulated or restricted by the Commissioner as to rents or sales, charges, capital structure, rate of return, and methods of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Commissioner may make such contracts with, and acquire for not to exceed \$100 such stock or interest in, any such corporation, association, cooperative society, or trust as he may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of such Housing Fund, and shall be redeemed by the corporation, association, cooperative society, or trust at par upon the termination of all obligations of the Commissioner under this insurance."

Sec. 1108(e), Housing and Urban Development Act of 1965, Public Law 89-117, 79 Stat. 451, 504, approved August 10, 1965, substituted "the General Insurance Fund" for "the Housing Fund".

and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

The insurance of mortgages under this section is intended to facilitate particularly the production of rental accommodations, at reasonable rents, of design and size suitable for family living. The Secretary, is therefore, authorized and directed in the administration of this section <sup>1</sup> to take action, by regulation or otherwise, which will direct the benefits of mortgage insurance hereunder primarily to those projects which make adequate provision for families with children, and in which every effort has been made to achieve moderate rental charges.

Notwithstanding any other provisions of this section, no mortgage shall be insured hereunder <sup>2</sup> unless the mortgagor certifies under oath in selecting tenants for the property covered by the mortgage he will not discriminate against any family by reason of the fact that there are children in the family, and that he will not sell the property while the insurance is in effect unless the purchaser so certifies, such certification to be filed with the Secretary. Violation of any such certification shall be a misdemeanor punishable by a fine of not to exceed \$500.

(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount—

(1) <sup>3</sup>

(2) not to exceed 90 <sup>4</sup> per centum of the estimated value of the property or project (when the proposed improvements are completed): *Provided*, <sup>5</sup> That this limitation shall not apply to mortgages on housing in <sup>6</sup> Alaska, or in Guam, <sup>7</sup> but such a mortgage may involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the value of the property or project as such term is used in this paragraph may include the land, the proposed physical improvements, utilities within the boundaries of the property or project, architect's fees, taxes, and interest accruing during construction, and other miscellaneous charges incident to construction and approved by the Secretary). *And provided further*, <sup>8</sup> That nothing contained in this section shall preclude the insurance of mortgages covering existing construction located in slum or blighted areas, as defined in paragraph numbered (5) of subsection (a) of this section, and the Secretary may require such repair or rehabilitation work to be completed as is,

<sup>1</sup> Sec. 104(e) (1), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 655, deleted "(except provisions relating to housing for elderly persons)".

<sup>2</sup> Sec. 104(e) (1), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 655, deleted "(except with respect to housing designed for elderly persons, with occupancy preference therefor, as provided in the paragraph following paragraph (3) of subsection (c))".

<sup>3</sup> Sec. 304(a) (1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck para. 207(c) (1) of the National Housing Act, but did not renumber the following paragraphs.

<sup>4</sup> Sec. 108(a), Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1092, substituted "90 per centum" for "80 per centum".

<sup>5</sup> Sec. 106, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 774, deleted a proviso at this point which limited the amount of the mortgage to the cost of the physical improvements on the property.

<sup>6</sup> Sec. 10(b), Alaska Omnibus Act, Public Law 86-70, approved June 25, 1959, 73 Stat. 141, 142, deleted "the Territory of" at the point indicated.

<sup>7</sup> The words "or in Guam" were added by sec. 115(2) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 595.

<sup>8</sup> This proviso added by sec. 115(1) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 594.



in his discretion, necessary to remove conditions detrimental to safety, health, or morals; and

(3) <sup>1</sup> not to exceed, for such part of the property or projects as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$19,500 <sup>2</sup> per family unit without bedroom, \$21,600 <sup>2</sup> per family unit with one bedroom, \$25,800 <sup>2</sup> per family unit with two bedrooms, \$31,800 <sup>2</sup> per family unit with three bedrooms, and \$36,000 <sup>2</sup> per family unit with four or more bedrooms, or not to exceed \$3,900 <sup>2</sup> per space except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$22,500 <sup>2</sup> per family unit without a bedroom, \$25,200 <sup>2</sup> per family unit with one bedroom, \$30,900 <sup>2</sup> per family unit with two bedrooms, \$38,700 <sup>2</sup> per family unit with three bedrooms, and \$43,758 <sup>2</sup> per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed 50 per centum in any geographical area <sup>3</sup> where he finds that cost levels so require.

The mortgage shall provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed  $5\frac{1}{4}$  <sup>4</sup> per centum per annum on the amount of the principal obligation outstanding at any time, or <sup>5</sup> not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market. The Secretary may consent to the release of a part or parts of the mortgaged property from the

<sup>1</sup> Sec. 107(a), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 774, deleted the previous per room limits in this par. (3) on the amount of a mortgage and substituted dollar amount limitations based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit.

Sec. 113(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, increased by ten percent as shown in the text the dollar limits in this paragraph (3) except mobile home courts. Sec. 103(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, increased the maximum amount of a mortgage which may be insured for a mobile home court from \$1,800 to \$2,500 per space or from \$500,000 to \$1,000,000 per project mortgage. Sec. 304(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "or \$1,000,000 per mortgage for trailer courts or parks;"

<sup>2</sup> Sec. 303(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$13,000" for "\$9,900", "\$18,000" for "\$13,750", "\$21,500" for "\$16,500", "\$26,500" for "\$20,350", "\$30,000" for "\$23,100", and "\$3,250" for "\$2,500".

Sec. 303(a)(2) of such Act, substituted "\$15,000" for "\$11,550", "\$21,000" for "\$16,500", "\$25,750" for "\$19,800", "\$32,250" for "\$24,750", and "\$36,465" for "\$28,050".

Sec. 8(b)(1)(A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 207(c)(3) of the National Housing Act by substituting "\$19,500" for "\$13,000", "\$21,600" for "\$18,000", "\$25,800" for "\$21,500", "\$31,800" for "\$26,500", "\$36,000" for "\$30,000", and "\$3,900" for "\$3,250". Sec. 8(b)(1)(B) of such Act amended this section by substituting "\$22,500" for "\$15,000", "\$25,200" for "\$21,000", "\$30,900" for "\$25,750", "\$38,700" for "\$32,250", and "\$43,758" for "\$36,465".

<sup>3</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 207(c)(3) of the National Housing Act by deleting the words "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 207(c)(3) of the National Housing Act by deleting the words "by not to exceed 75 per centum in any geographical area" and inserting in lieu thereof "by not to exceed 50 per centum in any geographical area".

<sup>4</sup> Sec. 104(c), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 655, substituted " $5\frac{1}{4}$ " for " $4\frac{1}{2}$ ".

<sup>5</sup> Sec. 3(b), Public Law 90-301, approved May 7, 1968, 82 Stat. 113, 114 inserted the balance of this sentence. See also, sec. 3(a), Public Law 90-301, immediately following the National Housing Act in this compilation, which permits the Secretary until October 1, 1969, to set a higher interest rate.



lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section or section 210 unless the Secretary finds that the property or project, with respect to which the mortgage is executed, is economically sound. Such property or project may include five<sup>1</sup> or more family units and<sup>2</sup> may include such commercial and community facilities as the Secretary deems adequate to serve the occupants.

Notwithstanding any other provision of this paragraph, the amount which may be insured under this section may be increased by up to 20 percent if such increase is necessary to account for the increased cost of the project due to the installation of a solar energy system (as defined in subparagraph (3) of the last paragraph of section 2(a) of this Act) therein.<sup>3</sup>

(d) The Secretary shall collect a premium charge for the insurance of mortgages under this section which shall be payable annually in advance by the mortgagee, either in cash or in debentures issued by the Secretary under any title and section of this Act, except debentures of the Mutual Mortgage Insurance Fund, or of the Cooperative Management Housing Insurance Fund, at par plus accrued interest. In addition to the premium charge herein provided for, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction: *Provided*, That such charges for appraisal and inspection shall not aggregate more than 1 per centum of the original principal face amount of the mortgage.

(e) In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date, the Secretary is authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date.

(f)<sup>4</sup>

(g) The failure of the mortgagor to make any payment due under or provided to be paid by the terms of a mortgage insured under this section shall be considered a default under such mortgage and, if such default continues for a period of thirty days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Secretary, within a period and in accordance with rules and regulations to be prescribed by the Secretary of (1) all rights and interests arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transactions; (3) all policies of title or other insurance or surety bonds or other guaranties and any and all claims thereunder; (4) any balance of

<sup>1</sup> Sec. 311(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "five" for "eight".

<sup>2</sup> The phrase "may include eight or more family units and" inserted by sec. 102(b)(5) of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635.

<sup>3</sup> This sentence was added by sec. 248(b), National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.

<sup>4</sup> Deleted by sec. 1108(e)(3), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 504.

the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled, as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery the obligation of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Secretary shall, subject to the cash adjustment provided for in subsection (j), issue to the mortgagee a certificate of claim as provided in subsection (h), and debentures having a total face value equal to the original principal face amount of the mortgage plus such amount as the mortgagee may have paid for (A) taxes, special assessments, and water rates, which are liens prior to the mortgage; (B) insurance on the property; and (C) reasonable expenses for the completion and preservation of the property and any mortgage insurance premiums paid after default, less the sum of (i) that part of the amount of the principal obligation, that has been repaid by the mortgagor, (ii) an amount equivalent to 1 per centum of the unpaid amount of such principal obligation, and (iii) any net income received by the mortgagee from the property: *Provided*, That the mortgagee in the event of a default under the mortgage may, at its option and in accordance with regulations of, and in a period to be determined by, the Secretary, proceed to foreclose on and obtain possession of or otherwise acquire such property from the mortgagor after default, and receive the benefits of the insurance as herein provided, upon (1) the prompt conveyance to the Secretary of title to the property which meets the requirements of the rules and regulations of the Secretary in force at the time the mortgage was insured and which is evidenced in the manner prescribed by such rules and regulations, and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims that may have been released with the consent of the Secretary. Upon such conveyance and assignment, the obligation of the mortgagee to pay the premium charges for insurance shall cease and the mortgagee shall be entitled to receive the benefits of the insurance as provided in this subsection, except that in such event the 1 per centum deduction, set out in (ii) hereof, shall not apply. Notwithstanding<sup>1</sup> any other provision of this Act, upon receipt, after the date of enactment of the Housing Act of 1964, of an application for insurance benefits on a mortgage insured under this Act, the Secretary may terminate the mortgagee's obligation to pay premium charges on the mortgage.

(h) The certificate of claim issued under this section shall be for an amount which the Secretary determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, on the date of the assignment, transfer and delivery to the Secretary provided for in subsection (g), the mortgagor had extinguished the mortgage indebtedness by payment in full of all obligations under the mortgage and a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings, or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Secretary. Each

<sup>1</sup> This sentence added by sec. 105(b), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 772.



such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 per centum per annum which shall not be compounded. If the net amount realized from the mortgage, and all claims in connection therewith, so assigned, transferred, and delivered, and from the property covered by such mortgage and all claims in connection with such property after deducting all expenses incurred by the Secretary in handling, dealing with, acquiring title to, and disposing of such mortgage and property and in collecting such claims, exceeds the face value of the debentures issued and the cash adjustment paid to the mortgagee plus all interest paid on such debentures, such excess shall be divided as follows:

(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Secretary shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be retained by the Secretary and credited to the General Insurance Fund; and

(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Secretary shall pay to the holder of such certificate the full amount of such excess.

(i) Debentures issued under this section, except<sup>1</sup> that debentures issued pursuant to the provisions of section 220(f), 221(g), and section 233 may be dated as of the date the mortgage is assigned (or the property is conveyed) to the Secretary, shall be executed in the name of the General Insurance Fund as obligor, shall be signed by the Secretary, by either his written or engraved signature, shall be negotiable, and shall be dated as of the date of default as determined in subsection (g) of this section and shall bear interest from such date. They shall bear interest at a rate<sup>2</sup> established by the Secretary pursuant to section 224, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature twenty<sup>3</sup> years after the date thereof. Such debentures as are issued in exchange for mortgages insured after the date of enactment of the National Housing Act Amendments of 1938 shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States<sup>4</sup> by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the General Insurance Fund which shall be primarily liable therefor and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event the General Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not

<sup>1</sup> Sec. 607(4), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 178, inserted this clause.

<sup>2</sup> Sec. 108(b) of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 297, substituted "established by the Commissioner pursuant to section 224," for "determined by the Commissioner, with the approval of the Secretary of the Treasury, at the time the mortgage was insured, but not to exceed 3 per centum per annum."

<sup>3</sup> Sec. 112(b) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 593, substituted the word "twenty" for the word "ten" but section 112(e) of the Housing Act of 1954 provided that this amendment did "not apply in any case where the mortgage involved was insured or the commitment for such insurance was issued prior to the effective date of the Housing Act of 1954" (August 2, 1954).

<sup>4</sup> Debentures issued in connection with contracts entered into pursuant to commitments issued on or after March 1, 1941, do not carry such Federal tax exemption. See sec. 4, Public Debt Act of 1941, as amended, 31 U.S.C. 742a.



otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(j) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provision for redemption, if any, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury and may be in coupon or registered form. Any difference between the amount of debentures to which the mortgagee is entitled under this section, and the aggregate face value of the debentures issued, not to exceed \$50 shall be adjusted by the payment of cash by the Secretary to the mortgagee from the General Insurance Fund.

(k) The Secretary is hereby authorized either to (1) acquire possession of and title to any property, covered by a mortgage insured under this section and assigned to him, by voluntary conveyance in extinguishment of the mortgage indebtedness, or (2) institute proceedings for foreclosure on the property covered by any such insured mortgage and prosecute such proceedings to conclusion.<sup>1</sup> The Secretary at any sale under foreclosure may, in his discretion, for the protection of the General Insurance Fund, bid any sum up to but not in excess of the total unpaid indebtedness secured by the mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses, and may become the purchaser of the property at such sale. The Secretary is authorized to pay from the General Insurance Fund such sums as may be necessary to defray such taxes, insurance, costs, fees, and other expenses in connection with the acquisition or foreclosure of property under this section. Pending such acquisition by voluntary conveyance or by foreclosure, the Secretary is authorized, with respect to any mortgage assigned to him under the provisions of subsection (g), to exercise all the rights of a mortgagee under such mortgage, including the right to sell such mortgage, and to take such action and advance such sums as may be necessary to preserve or protect the lien of such mortgage.

(l) Notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real and other property by the United States, the Secretary shall also have power, for the protection of the interests of the General Insurance Fund, to pay out of the General Insurance Fund all expenses or charges in connection with, and to deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for the management of, or establish suitable agencies for the management of, or sell for cash or credit or lease in his discretion, any property acquired by him under this section; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims assigned and transferred to him in connection with the assignment, transfer, and delivery provided for in this section, and at any time, upon default, to foreclose on any property secured by any mortgage assigned and transferred to or held by him: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof

<sup>1</sup> Sec. 108, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 778, deleted the second sentence of this subsec. (k) which required the Secretary to acquire or foreclose a multifamily housing project within 1 year of default on the FHA-insured mortgage which financed the project.

does not exceed \$1,000.

(m)<sup>1</sup>

(n) In the event that a mortgage insured under this section becomes in default through failure of the mortgagor to make any payment due under or provided to be paid by the terms of the mortgage and such mortgage continues in default for a period of thirty days, but the mortgagee does not foreclose on or otherwise acquire the property, or does not assign and transfer such mortgage and the credit instrument secured thereby to the Secretary, in accordance with subsection (g), and the Secretary is given written notice thereof, or in the event that a mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, and the mortgagee pays any adjusted premium charge required under the provisions of subsection (e), and the Secretary is given written notice by the mortgagee of the payment of such obligation, the obligation to pay the annual premium charge for insurance shall cease, and all rights of the mortgagee and the mortgagor under this section shall terminate as of the date of such notice.

(o) The Secretary, with the consent of the mortgagee and the mortgagor of a mortgage insured under this section prior to the date of enactment of the National Housing Act Amendments of 1938, shall be empowered to reissue such mortgage insurance in accordance with the provisions of this section as amended by such Act, and any such insurance not so reissued shall not be affected by the enactment of such Act.

(p)<sup>2</sup>

(q) Repealed.<sup>3</sup>

(r)<sup>4</sup> Notwithstanding any other provision of this Act, the Secretary is authorized to include in any mortgage insured under any title of this Act after the effective date of the Housing Act of 1959<sup>5</sup> a provision requiring the mortgagor to pay a service charge to the Secretary in the event such mortgage is assigned to and held by the Secretary. Such service charge shall not exceed the amount prescribed by the Secretary for mortgage insurance premiums applicable to such mortgage.

#### TAXATION PROVISIONS

SEC. 208. Nothing in this title shall be construed to exempt any real property acquired and held by the Secretary under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

#### STATISTICAL AND ECONOMIC SURVEYS

SEC. 209. The Secretary shall cause to be made in connection with the insurance programs such statistical surveys and legal and economic studies as he shall deem useful to guide the development of housing and the creation of a sound mortgage market in the United States, and shall publish from time to time the results of such surveys and studies. Expenses of such studies and surveys, and expenses of

<sup>1</sup> Deleted by sec. 1108(e)(3), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 504.

<sup>2</sup> Deleted by sec. 1108(e)(3), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 504.

<sup>3</sup> Repealed by sec. 111, Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 297.

<sup>4</sup> Sec. 104(d), Housing Act of 1959, Public Law 86-372, approved September 23, 1959.

<sup>5</sup> September 23, 1959.

publication and distribution of the results of such studies and surveys, shall be charged as a general expense of such insurance fund or funds, as the Secretary shall determine.

#### ADDITIONAL HOUSING INSURANCE

SEC. 210. Repealed.<sup>1</sup>

#### RULES AND REGULATIONS

SEC. 211. The Secretary is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.

#### LABOR STANDARDS

SEC. 212. (a) The Secretary shall not insure under section 207 or section 210 of this title, or under section 608 of title VI, pursuant to any application for insurance filed subsequent to the effective date of this section, or under section 213 of this title, or under title VII pursuant to any application filed subsequent to sixty days after the date of enactment of the Housing Act of 1950, or under section <sup>2</sup> 803 or 810 of title VIII, or under section 908 of title IX, a mortgage or investment which covers property on which there is or is to be located a dwelling or dwellings, or a housing project, the construction of which was or is to be commenced subsequent to such date, unless the principal contractor files a certificate or certificates (at such times, in course of construction or otherwise, as the Secretary may prescribe) certifying that the laborers and mechanics employed in the construction of the dwelling or dwellings or the housing project involved have been paid not less than the wages prevailing in the locality in which the work was performed for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor in <sup>3</sup> accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5), prior to the beginning of construction and after the date of the filing of the application for insurance. The <sup>4</sup> provisions of this section shall also apply to the insurance of any loan or mortgage under section 220 or section 233 which covers property on which there is located a dwelling or dwellings designed principally for residential use for twelve or more families. The provisions of this section shall apply to the insurance under section 221 of any mortgage described in subsection (d)(3)<sup>5</sup> or (d)(4) and <sup>6</sup> (deeming the term "construction" as used in the first sentence of this subsection to mean rehabilitation) of any mortgage described in sub-

<sup>1</sup> Repealed by Public Law 111, 76th Congress, approved June 3, 1939, 53 Stat. 804.

<sup>2</sup> Sec. 704(c), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 686, added "section 803 or 810 of".

<sup>3</sup> The words "in accordance with the Davis-Bacon Act, as amended," together with the code citation inserted by sec. 3 of Public Law 89-349, approved July 2, 1964, 78 Stat. 238, 239.

<sup>4</sup> This sentence added by sec. 118, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 595, and amended by sec. 612(e)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 181, by substituting "any loan or mortgage under section 220 or section 233" for "any mortgage under section 220."

<sup>5</sup> The words "in the case of a cooperative or a limited profit mortgagor," deleted at this point by sec. 102(c), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 454.

<sup>6</sup> Sec. 311, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1270, added the remainder of this sentence.



section (h) (1) or <sup>1</sup> section 235(j) (1) which covers property on which there is located a dwelling or dwellings designed principally for residential use for more than eight families; except that compliance with such provisions may be waived by the Secretary—

(1) with respect to mortgages described in such subsection (d) (3) or (d) (4) in cases or classes of cases where laborers or mechanics (not otherwise employed at any time in the construction of the project) voluntarily donate their services without compensation for the purpose of lowering their housing costs in a cooperative housing project and the Secretary determines that any amounts saved thereby are fully credited to the cooperative undertaking the construction, and

(2) with respect to mortgages described in such subsection (h) (1) or section 235(j) (1) <sup>1</sup>, in cases or classes of cases where prospective owners of such dwellings voluntarily donate their services without compensation, or other persons (not otherwise employed at any time in the rehabilitation of the property) voluntarily donate their services without compensation, and the Secretary determines that any amounts saved thereby are fully credited to the nonprofit organization undertaking the rehabilitation.

The <sup>2</sup> provisions of this section shall also apply to the insurance of any mortgage under section 231, 232, or 236 <sup>3</sup> except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project voluntarily donate their services without full compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation, association, or other organization undertaking the construction. The <sup>4</sup> provisions of this section shall also apply to the insurance of any mortgage under section 234(d). The <sup>5</sup> provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation, association, <sup>6</sup> or other organization undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be. The <sup>7</sup> provi-

<sup>1</sup> Sec. 101(d), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 484, inserted "or section 235(j) (1)".

<sup>2</sup> This sentence added by sec. 201(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 667.

<sup>3</sup> Sec. 201(b) (1), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 501, inserted "or 236".

<sup>4</sup> Sec. 119(b), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 782, added this sentence.

<sup>5</sup> Sec. 1502, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 600, inserted this sentence.

<sup>6</sup> The words "or other organization" inserted by sec. 110(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772.

<sup>7</sup> Sec. 201(b) (4), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 465, added this sentence.

sions of this section shall also apply to insurance under title X with respect to laborers and mechanics employed in land development financed with the proceeds of any mortgage insured under that title. The<sup>1</sup> provisions of this section shall also apply to the insurance of any mortgage under title XI; and each laborer or mechanic employed on any facility covered by a mortgage insured under such title shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be.

(b) The Secretary is authorized to make such rules and regulations as may be necessary to carry out the provisions of this section.

(c) There is hereby authorized to be appropriated for the remainder of the fiscal year ending June 30, 1939, and for each fiscal year thereafter, a sum sufficient to meet all necessary expenses of the Department of Labor in making the determinations provided for in subsection (a).

#### COOPERATIVE HOUSING INSURANCE<sup>2</sup>

SEC. 213.<sup>3</sup> (a) In addition to mortgages insured under section 207 of this title, the Secretary is authorized to insure mortgages as defined in section 207(a) of this title (including advances on such mortgages during construction), which cover property held by—

(1) a nonprofit cooperative ownership housing corporation or nonprofit cooperative ownership housing trust, the permanent occupancy of the dwellings of which is restricted to members of such corporation or to beneficiaries of such trust;

(2) a nonprofit corporation or nonprofit trust organized for the purpose of construction of homes for members of the corporation or for beneficiaries of the trust; or

(3)<sup>4</sup> a mortgagor, approved by the Secretary, which (A) has certified to the Secretary, as a condition of obtaining the insurance of a mortgage under this section, that upon completion of the property or project covered by such mortgage it intends to sell such property or project to a nonprofit corporation or nonprofit trust of the character described in paragraph (1) of this subsection at the actual cost of such property or project as certified pursuant to section 227 of this Act and will faithfully and diligently make and carry out all reasonable efforts to consummate such sale, and (B) shall be regulated or restricted by the Secretary as to rents, charges, capital structure, rate of return, and methods of operation during any period while it holds the mortgaged property or project; and, for such purpose the Secretary may make such contracts with, and acquire for not to exceed \$100 such stock or interest in, any such mortgagor as the Secretary may deem necessary to render effective such restriction or regulation, such stock or interest to be paid for out of the Cooperative Management Housing Insurance Fund and to be re-

<sup>1</sup> Sec. 503. Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1277, added this sentence.

<sup>2</sup> See also sec. 305(e), National Housing Act, as amended, which authorizes the Federal National Mortgage Association to enter into advance commitments to purchase FHA cooperative housing mortgages.

<sup>3</sup> Sec. 114. Housing Act of 1950, Public Law 475, 81st Congress, approved April 20, 1950, 64 Stat. 54, added this section.

<sup>4</sup> Sec. 105(a). Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1093, added this paragraph.



deemed by such mortgagor at par upon the sale of such property or project to such nonprofit corporation or nonprofit trust; which corporations or trusts referred to in paragraphs (1) and (2) of this subsection are regulated or restricted for the purposes and in the manner provided in paragraphs numbered (1) and (2) of subsection (b) of section 207 of this title: *Provided*,<sup>1</sup> That as applied to mortgages the mortgage insurance for which is the obligation of the Management Fund, the reference to the General Insurance Fund in section 207(b) (2) shall be construed to refer to the Management Fund.

(b) To be eligible for insurance under this section a mortgage on any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) of this section shall involve a principal obligation in an amount—

(1)<sup>2</sup>

(2)<sup>3</sup> not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$19,500<sup>4</sup> per family unit without a bedroom, \$21,600<sup>4</sup> per family unit with one bedroom, \$25,800<sup>4</sup> per family unit with two bedrooms, \$31,800<sup>4</sup> per family unit with three bedrooms, and \$36,000<sup>4</sup> per family unit with four or more bedrooms, and not to exceed 98 per centum<sup>5</sup> of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *Provided*, That as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$22,500<sup>6</sup> per family unit without a bedroom, \$25,200<sup>6</sup> per family unit with one bedroom, \$30,900<sup>6</sup> per family unit with two bedrooms, \$38,700<sup>6</sup> per family unit with three bedrooms, and \$43,758<sup>6</sup> per family unit with four or more bedrooms, as the case may be, to compensate for the higher cost incident to the construction of elevator-type structures of sound standards of construction and design: *Provided further*, That the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed 50 per

<sup>1</sup> This proviso inserted by sec. 208(b) (1), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 469.

<sup>2</sup> Sec. 304(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck para. (1) of sec. 213(b) of the National Housing Act, but did not renumber the following paragraphs.

<sup>3</sup> Sec. 107(b), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 774, deleted the previous per room limits in this par. (2) on the amount of a mortgage and substituted dollar amount limitation based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit.

Sec. 113(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, increased by ten percent as shown in the text the dollar limits in this paragraph (2).

<sup>4</sup> Sec. 303(b) (1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$13,000" for "\$9,900", "\$18,000" for "\$13,750", "\$21,500" for "\$16,500", "\$26,500" for "\$20,350", and "\$30,000" for "\$23,100". Sec. 8(b) (2) (A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 213(b) (2) of the National Housing Act by substituting "\$19,500" for "\$13,000", "\$21,600" for "\$18,000", "\$25,800" for "\$21,500", "\$31,800" for "\$26,500", and "\$36,000" for "\$30,000".

<sup>5</sup> Sec. 311(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "98 per centum" for "97 per centum".

<sup>6</sup> Sec. 303(b) (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$15,000" for "\$11,550", "\$21,000" for "\$16,500", "\$25,750" for "\$19,800", "\$32,250" for "\$24,750", and "\$36,465" for "\$28,050". Sec. 8(b) (2) (B) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, further amended section 213(b) (2) of the National Housing Act by substituting "\$22,500" for "\$15,000", "\$25,200" for "\$21,000", "\$30,900" for "\$25,750", "\$38,700" for "\$32,250", "\$43,758" for "\$36,465".



centum in any geographical area<sup>1</sup> where he finds that cost levels so require: *Provided further*, That in the case of a mortgagor of the character described in paragraph (3) of subsection (a) the mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *And provided further*, That upon the sale of a property or project by a mortgagor of the character described in paragraph (3) of subsection (a) to a nonprofit cooperative ownership housing corporation or trust within two years after the completion of such property or project the mortgage given to finance such sale shall involve a principal obligation in an amount not to exceed the maximum amount computed in accordance with this subsection without regard to the preceding proviso.

(c) To be eligible for insurance under this section a mortgage on any property or project of a corporation or trust of the character described in paragraph numbered (2) of subsection (a) of this section shall involve a principal obligation in an amount<sup>2</sup> not to exceed a sum computed on the basis of a separate mortgage for each single-family dwelling (irrespective of whether such dwelling has a party wall or is otherwise physically connected with another dwelling or dwellings) comprising the property or project, equal to the total of each of the maximum principal obligations of such mortgages which would meet the requirements of section 203(b)(2) if the mortgagor were the owner and occupant who had made any required payment on account of the property prescribed in such paragraph.<sup>3</sup>

(d) Any mortgage insured under this section shall provide for complete amortization by periodic payments within such terms as the Secretary may prescribe but not to exceed forty years from the beginning of amortization of the mortgage, and shall bear interest (exclusive of premium charges for insurance) at not to exceed  $5\frac{1}{4}$ <sup>4</sup> per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum<sup>5</sup> as the Secretary finds necessary to meet the mortgage market. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release, and a mortgage on any project of a corporation or trust of the character described in paragraph numbered (2) of subsection (a) of

<sup>1</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 213(b)(2) of the National Housing Act by deleting the words "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 213(b)(2) of the National Housing Act by striking the words "by not to exceed 75 per centum in any geographical area" and inserting in lieu thereof "by not to exceed 50 per centum in any geographical area".

<sup>2</sup> Sec. 304(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "not to exceed \$12,500,000 and".

<sup>3</sup> Sec. 207(b)(2), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 467, deleted an alternative ceiling which provided that the amount of the insured mortgage could equal the total amount of the individual mortgages which members of a nonprofit corporation or nonprofit trust could have insured if each member was building his home separately.

<sup>4</sup> Sec. 105(d), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 656, substituted " $5\frac{1}{4}$ " for " $4\frac{1}{2}$ ".

<sup>5</sup> Sec. 3(c), Public Law 90-301, approved May 7, 1968, 82 Stat. 113, 114, substituted the 6 per centum maximum for the  $5\frac{1}{2}$  per centum maximum. See also, sec. 3(a), Public Law 90-301, immediately following the National Housing Act in this compilation, which permits the Secretary until October 1, 1969, to set a higher interest rate.

this section may provide that, at any time after the completion of the construction of the project, such mortgage may be replaced, in whole or in part, by individual mortgages covering each individual dwelling in the project in amounts not to exceed the unpaid balance of the blanket mortgage allocable to the individual property. Each such individual mortgage may be insured under this section. Property covered by a mortgage, insured under this section, on a property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) of this section may include five<sup>1</sup> or more family units and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants. Property<sup>2</sup> held by a corporation or trust of the character described in paragraph numbered (2) of subsection (a) of this section which is covered by a mortgage insured under this section may include such community facilities, and property held by a mortgagor of the character described in paragraph numbered (3) of subsection (a) of this section which is covered by a mortgage insured under this section may include such commercial and community facilities, as the Secretary deems adequate to serve the occupants.

(e) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), (m), and (n) of section 207 of this title shall be applicable to mortgages insured under this section except individual mortgages insured pursuant to subsection (d) of this section covering the individual dwellings in the project, and as to such individual mortgages the provisions of subsections (a), (c), (d), (e), (f), (g), (h), (j), and (k)<sup>3</sup> of section 204 shall be applicable: *Provided*,<sup>4</sup> That as applied to mortgages or loans the insurance for which is the obligation of the Management Fund (1) all references to the General Insurance Fund shall be construed to refer to the Management Fund, and (2) all references to section 207 shall be construed to refer to subsections (a)(1), (a)(3) (if the project involved is acquired by a cooperative corporation), (i) and (j) of this section.

(f) The Secretary is authorized, with respect to mortgages insured or to be insured under this section, to furnish technical advice and assistance in the organization of corporations or trusts of the character described in subsection (a) of this section and in the planning, development, construction, and operation of their housing projects.<sup>5</sup>

(g) Nothing in this Act shall be construed to prevent the insurance of a mortgage under this section covering a housing project designed for occupancy by single persons, and dwelling units in such a project shall constitute family units within the meaning of this section.

<sup>1</sup> Sec. 608(a)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 179, substituted "five or more family units" for "eight or more family units".

<sup>2</sup> Sec. 105(c), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 656, added this sentence.

<sup>3</sup> Sec. 116(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 664, added "(k)".

<sup>4</sup> This proviso inserted by sec. 208(b)(2), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 469.

<sup>5</sup> A provision at the end of subsec. (f) authorizing the appointment of an Assistant Commissioner for cooperative housing administration was deleted by sec. 120, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 596. The First Independent Offices Appropriation Act, 1954, Public Law 176, 83d Congress, approved July 31, 1953, 67 Stat. 298, 315, had previously provided that the position was no longer authorized. Sec. 102(h), Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 636, provided for the appointment of a "Special Assistant for Cooperative Housing" and his staff.



(h)<sup>1</sup> In the event that a mortgagor of the character described in paragraph (3) of subsection (a) obtains an insured mortgage loan pursuant to this section and fails to sell the property or project covered by such mortgage to a nonprofit housing corporation or nonprofit housing trust of the character described in paragraph (1) of subsection (a) hereof, the<sup>2</sup> Secretary is authorized to refuse, for such a period of time as he shall deem appropriate under the circumstances, to insure under this section any additional investor-sponsor type mortgage loans made to such mortgagor or to any other investor-sponsor mortgagor where, in the determination of the Secretary, any of its stockholders were identified with such mortgagor.

(i)<sup>3</sup> Nothing in this Act shall be construed to prevent the insurance of a mortgage executed by a mortgagor of the character described in paragraph (1) of subsection (a) of this section covering property upon which dwelling units and related facilities have been constructed prior to the filing of the application for mortgage insurance hereunder: *Provided*, That the Secretary determines that the consumer interest is protected and that the mortgagor will be a consumer cooperative. In the case of properties other than new construction, the limitations in this section upon the amount of the mortgage shall be based upon the appraised value of the property for continued use as a cooperative rather than upon the Secretary's estimate of the replacement cost. As to any project on which construction was commenced after the effective date of this subsection, the mortgage on such project shall be eligible for insurance under this section only in those cases where the construction was subject to inspection by the Secretary and where there was compliance with the provisions of section 212 of this title. As to any project on which construction was commenced prior to the effective date of this subsection, such inspection, and compliance with the provisions of section 212 of this title, shall not be a prerequisite.

(j)(1)<sup>4</sup> With respect to any property covered by a mortgage insured under this section (or any cooperative housing project covered by a mortgage insured under section 207 as in effect prior to the enactment of the Housing Act of 1950), the Secretary is authorized upon such terms and conditions as he may prescribe, to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. The<sup>5</sup> Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an

<sup>1</sup> Added by sec. 105(c), Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1094.

<sup>2</sup> Immediately prior to amendment by sec. 608(a)(3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 179, the remainder of this paragraph read: "such mortgagor shall not thereafter be eligible by reason of such paragraph (3) for insurance of any additional mortgage loans pursuant to this section."

<sup>3</sup> Added by sec. 105(c), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 656.

<sup>4</sup> Sec. 608(h), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 179, added subsec. (j).

<sup>5</sup> Sec. 312, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 511, added this sentence.



uninsured mortgage representing a part of the purchase price. As used in this subsection "supplementary cooperative loan" means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing any of the following:

(A) Improvements or repairs of the property covered by such mortgage;

(B) Community facilities necessary to serve the occupants of the property; or

(C)<sup>1</sup> Cooperative purchases and resales of memberships in order to provide necessary refinancing for resales of memberships which involve increases in equity; but in such resales by the cooperative the downpayments by the new members shall not be less than those made on the original sales of such memberships.

(2) To be eligible for insurance under this subsection, a supplementary cooperative loan shall—

(A) be limited to an amount which, when added to the outstanding mortgage indebtedness on the property, creates a total outstanding indebtedness which does not exceed the original principal obligation of the mortgage; except <sup>2</sup> that, in the case of improvements or additional community facilities, the outstanding indebtedness may be increased by an amount equal to 97 per centum of the amount which the Secretary estimates will be the value of such improvements or facilities, and the new outstanding indebtedness may exceed the original principal obligation of the mortgage if such new outstanding indebtedness does not exceed the limitations imposed by subsection (b);

(B) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage; except <sup>3</sup> that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage;

(C) be secured in such manner as the Secretary may require;

(D) contain such other terms, conditions, and restrictions as the Secretary may prescribe; and

(E) represent the obligation of a borrower of the character described in paragraph (1) of subsection (a).

(k)<sup>4</sup> There is hereby created a Cooperative Management Housing Insurance Fund (hereinafter referred to as the "Management Fund"). The Management Fund shall be used by the Secretary as a revolving fund for carrying out the provisions of this section with respect to mortgages or loans insured, on or after the date of the enactment of this subsection, under subsections (a) (1), (a) (3) (if the project is

<sup>1</sup> Sec. 109(a). Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 777, added this clause.

<sup>2</sup> Sec. 304. Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1267, added this clause.

<sup>3</sup> Sec. 313. Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 511, added the balance of this paragraph.

<sup>4</sup> Added by sec. 208(a). Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 468.

acquired by a cooperative corporation), (i), and (j). The Management Fund shall also be used as a revolving fund for mortgages, loans, and commitments transferred to it pursuant to subsection (m). The <sup>1</sup> Secretary is directed to transfer to the Management Fund from the General Insurance Fund an amount equal to the total of the premium payments theretofore made with respect to the insurance of mortgages and loans transferred to the Management Fund pursuant to subsection (m) minus the total of any administrative expenses theretofore incurred in connection with such mortgages and loans, plus such other amounts as the Secretary determines to be necessary and appropriate. General expenses of operation of the Department of Housing and Urban Development relating to mortgages or loans which are the obligation of the Management Fund may be charged to the Management Fund.

(1)<sup>2</sup> The Secretary shall establish in the Management Fund, as of the date of the enactment of this subsection, a General Surplus Account and a Participating Reserve Account. The aggregate net income thereafter received or any net loss thereafter sustained by the Management Fund, in any semiannual period, shall be credited or charged to the General Surplus Account or the Participating Reserve Account or both in such manner and amounts as the Secretary may determine to be in accord with sound actuarial and accounting practice. Upon termination of the insurance obligation of the Management Fund by payment of any mortgage or loan insured under this section, and at such time or times prior to such termination as the Secretary may determine, the Secretary is authorized to distribute to the mortgagor or borrower a share of the Participating Reserve Account in such manner and amount as the Secretary shall determine to be equitable and in accordance with sound actuarial and accounting practice: *Provided*, That in no event shall the amount of the distributable share exceed the aggregate scheduled annual premiums of the mortgagor or borrower to the year of payment of the share less the total amount of any share or shares previously distributed by the Secretary to the mortgagor or borrower: *And provided further*, That in no event may a distributable share be distributed until any funds transferred from the General Insurance Fund to the Management Fund pursuant to subsection (o) have been repaid in full to the General Insurance Fund. No mortgagor, mortgagee, borrower, or lender shall have any vested right in a credit balance in any such account or be subject to any liability arising out of the mutuality of the Management Fund. The determination of the Secretary as to the amount to be paid by him to any mortgagor or borrower shall be final and conclusive.

(m)<sup>3</sup> The Secretary is authorized to transfer to the Management Fund commitments for insurance issued under subsection (a) (1), (i), and (j) prior to the date of enactment of this subsection,

<sup>1</sup> Sec. 303(c), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1267, substituted this sentence for the following: "The Commissioner is directed to transfer to the Management Fund from the General Insurance Fund established pursuant to section 519 such amount as the Commissioner determines to be necessary and appropriate."

<sup>2</sup> Added by sec. 208(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 468, 469.

<sup>3</sup> Added by sec. 208(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 468, 469.



and to transfer to the Management Fund the insurance of any mortgage or loan insured prior to the date of the enactment of this subsection under subsection (a) (1), (a) (3) (if the project is acquired by a cooperative corporation), (i), or (j)<sup>1</sup>: *Provided*, That the insurance of any mortgage or loan shall not be transferred under the provisions of this subsection if on the date of the enactment of this subsection the mortgage or loan is in default and the mortgagee or lender has notified the Secretary in writing of its intention to file an insurance claim. Any insurance or commitment not so transferred shall continue to be an obligation of the General Insurance Fund.

(n)<sup>2</sup> Notwithstanding the limitations contained in other provisions of this Act, premium charges for mortgages or loans<sup>3</sup> the insurance of which is the obligation of either the Management Fund or the General Insurance Fund may be payable in debentures issued in connection with mortgages or loans transferred to the Management Fund or in connection with mortgages or loans insured pursuant to commitments transferred to the Management Fund, as provided in subsection (m) of this section. Premium charges on the insurance of mortgages or loans transferred to the Management Fund or insured pursuant to commitments transferred to the Management Fund may be payable in debentures which are the obligation of either the Management Fund or the General Insurance Fund.

(o)<sup>4</sup> Notwithstanding any other provision of this Act, the Secretary is authorized to transfer funds between the Cooperative Management Housing Insurance Fund and the General Insurance Fund in such amounts and at such times as he may determine, taking into consideration the requirements of each such Fund, to assist in carrying out effectively the insurance programs for which such Funds were respectively established. Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to a principal and interest by, the United States or<sup>5</sup> any agency of the United States: *Provided*, That such moneys shall to the maximum extent feasible be invested in such bonds or other obligations the proceeds of which will be used to directly support the residential mortgage market. The Secretary may with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which

<sup>1</sup> Sec. 303(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1266, deleted the clause immediately before the proviso which read: "but only in cases where the consent of the mortgagee or lender to the transfer is obtained or a request by the mortgagee or lender for the transfer is received by the Commissioner within such period of time after the date of the enactment of this subsection as the Commissioner shall prescribe".

<sup>2</sup> Added by sec. 208(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 468, 469.

<sup>3</sup> Sec. 303(b) of the Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1266, substituted "the insurance of which is the obligation of either the Management Fund or the General Insurance Fund for "insured under this section and sections 207, 231, and 232. Sec. 303(b) also added the last sentence of this paragraph.

<sup>4</sup> Sec. 208(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 469, added the first sentence of this subsection. Sec. 1722(e), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 10, 1968, 82 Stat. 476, 610, added the balance of this subsection.

<sup>5</sup> Sec. 117(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1774, inserted the remainder of this sentence.



will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued.

SEC. 214.<sup>1</sup> If the Secretary of Housing and Urban Development finds that, because of higher costs prevailing in <sup>2</sup> Alaska, Guam, or Hawaii, it is not feasible to construct dwellings or <sup>3</sup> mobile home courts or parks on property located in Alaska or in Guam or Hawaii without sacrifice of sound standards of construction, design or livability, within the limitations as to maximum or maxima mortgage amounts provided in this Act, the Secretary may, by regulations or otherwise, prescribe, with respect to dollar amount, a higher maximum or maxima for the principal obligation of mortgages insured under this Act covering property located in Alaska or in Guam or Hawaii in such amounts as he shall find necessary to compensate for such higher costs but not to exceed, in any event, the maximum or maxima otherwise applicable (including <sup>4</sup> increased mortgage amounts in geographical areas where cost levels so require) by more than one-half <sup>5</sup> thereof. No mortgage with respect to a project or property in Alaska or in Guam or Hawaii shall be accepted for insurance under this Act unless the Secretary finds that the project or property is an acceptable risk, giving consideration to the acute housing shortage in Alaska or in Guam or Hawaii: *Provided*, That any such mortgage may be insured or accepted for insurance without regard to any requirement in any other section of this Act that the Secretary finds the project or property to be economically sound or an acceptable risk. Notwithstanding any of the provisions of this Act or any other law, the Alaska Housing Authority or the Government of Guam or Hawaii or any agency or instrumentality thereof shall be eligible as mortgagor or mortgagee, as the case may be, for any of the purposes of mortgage insurance under the provisions of this Act. Upon application by the mortgage (1)<sup>6</sup> where the mortgagor is regulated or restricted pursuant to the last sentence of this section or (2) where the Alaska Housing Authority or the Government of Guam or Hawaii or any agency or instrumentality thereof is the mortgagor or mortgagee, for the insurance of a mortgage under any provisions of this Act, the Secretary is authorized to insure the mortgage (including advances thereon where otherwise authorized), and to make commitments for the insuring of any such mortgages prior to the date of their execution or disbursement thereon, under such provisions (and this section) without regard to any requirement that the mortgagor shall be the owner and occupant of the property or shall have paid a prescribed amount on account of such property. Without limiting the authority of the Secretary under any other provision of law, the Secretary is hereby authorized, with respect to any mortgagor in such case (except where

<sup>1</sup> Added by the Alaska Housing Act, Public Law 52, 81st Congress, approved April 23, 1949, 63 Stat. 57. Made applicable to Guam by sec. 10(a)(3), Housing Act of 1952, Public Law 531, 82d Congress, approved July 14, 1952, 66 Stat. 603, and to Hawaii by sec. 25(a), Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 128.

<sup>2</sup> Sec. 10(c), Alaska Omnibus Act, Public Law 86-70, approved June 25, 1959, 73 Stat. 141, 142, substituted "Alaska, Guam" for "the Territory of Alaska or in Guam".

<sup>3</sup> Sec. 413(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 402, inserted "or mobile home courts or parks".

<sup>4</sup> Sec. 106, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 657, inserted this parenthetical phrase.

<sup>5</sup> Sec. 606, Defense Housing and Community Facilities and Service Act of 1951, Public Law 139, 82d Congress, approved September 1, 1951, 65 Stat. 293, substituted "one-half" for "one-third".

<sup>6</sup> Clause numbered (1) inserted by sec. 25(c)(1), Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 128.

the Alaska Housing Authority is the mortgagor or mortgagee) to require the mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation to such an extent and in such manner as the Secretary determines advisable to provide reasonable rentals and sales prices and a reasonable return on the investment.<sup>1</sup>

#### ISSUANCE OF COMMITMENTS

SEC. 215. The Secretary is hereby authorized to process applications and issue commitments with respect to insurance of mortgages under section 8 of title I, title II, title VI, title VIII, or title IX of this Act, even though the permanent mortgage financing may not be insured under this Act, and in the event the mortgage is not so insured the Secretary is authorized to charge an additional application fee determined by him to be reasonable. The Secretary is authorized to make such rules and regulations as may be necessary to carry out the provisions of this section.

#### WAIVER OF OCCUPANCY REQUIREMENTS FOR SERVICEMEN

SEC. 216.<sup>2</sup> The Secretary is hereby authorized to insure any mortgage otherwise eligible for insurance under any of the provisions of this Act without regard to any requirement that the mortgagor be the occupant of the property at the time of insurance, where the Secretary is satisfied that the inability of the mortgagor to occupy the property is by reason of his entry on active duty in a uniformed service subsequent to the filing of an application for insurance and the mortgagor expresses an intent to occupy the property upon his release from active duty.

#### GENERAL MORTGAGE INSURANCE AUTHORIZATION

SEC. 217.<sup>3</sup> Except with respect to the insurance of a loan or mortgage pursuant to section 2, section 221, section 235, section 236, title VIII, title X, or title XI of this Act (subject to any limitations thereunder on the time of such insurance), no loan or mortgage shall be insured under any provision of this Act after September 30, 1979,<sup>3</sup> except pursuant to a commitment to insure before that date.

<sup>1</sup> This sentence was added by sec. 25(c)(2), Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 129.

<sup>2</sup> Added by sec. 607, Defense Housing and Community Facilities and Services Act of 1951, Public Law 139, 82d Congress, approved September 1, 1951, 65 Stat. 293, and amended by sec. 7(a) of Public Law 91-621, approved December 31, 1970, 84 Stat. 1863, 1865, to extend to the Commissioned officers of the National Oceanic and Atmospheric Administration the waiver of occupancy requirements accorded to military personnel.

<sup>3</sup> Sec. 101(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, amended this section to include the references to sections 235, 236, title XI, and also to establish the termination date of October 1, 1970. This termination date was subsequently extended as follows: (1) To November 1, 1970, by sec. 1(b) of Public Law 91-432, approved October 2, 1970, 84 Stat. 886; (2) to December 1, 1970, by sec. 1(b) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064; (3) to January 1, 1971, by sec. 1(b) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384; (4) to October 1, 1972, by sec. 101(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770; (5) to June 30, 1973, by sec. 1(b) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906; (6) to October 1, 1973, by sec. 1(b) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; (7) to October 1, 1974, by sec. 1(b) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421; and (8) Sec. 316(b) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974". Sec. 202(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 465, had amended this section to include title X; amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, Public Law 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977 to July 31, 1977; Public Law 95-80, approved Apr. 30, 1977, had further extended the date from July 31, 1977 to September 30, 1977. Section 301(b) of the Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978, further extended this date.



SEC. 218. Repealed.<sup>1</sup>

SEC. 219. Repealed.<sup>2</sup>

#### REHABILITATION AND NEIGHBORHOOD CONSERVATION HOUSING INSURANCE

SEC. 220.<sup>3</sup> (a) The purpose of this section is to aid in the elimination of slums and blighted conditions and the prevention of the deterioration of residential property by supplementing the insurance of mortgages under sections 203 and 207 of this title with a system of loan<sup>4</sup> and mortgage insurance designed to assist the financing required for the rehabilitation of existing dwelling accommodations and the construction of new dwelling accommodations where such dwelling accommodations are located in an area referred to in paragraph (1) of subsection (d) of this section.

(b) The Secretary is authorized, upon application by the mortgagee, to insure, as hereinafter provided, any mortgage (including advances during construction on mortgages covering property of the character described in paragraph (3)(B) of subsection (d) of this section) which is eligible for insurance as hereinafter provided, and, upon such terms and conditions as he may prescribe, to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon.

(c) As used in this section, the terms "mortgage," "first mortgage," "mortgagee," "mortgagor," "maturity date," and "State" shall have the same meaning as in section 201 of this Act.

(d) To be eligible for insurance under this section a mortgage shall meet the following conditions:

(1) The mortgaged property shall—

(A)<sup>5</sup> be located in (i) the area of a slum clearance and urban redevelopment project covered by a Federal-aid contract executed or a prior approval granted, pursuant to title I of the Housing Act of 1949 before the effective date of the Housing Act of 1954, or (ii) an urban renewal area (as defined in title I of the Housing Act of 1949, as amended) or (iii) the area of an urban renewal project assisted under section 111 of the Housing Act of 1949, as amended, or (iv) an area in which a program of concentrated code enforcement activities is being carried out pursuant to section 117 of the Housing Act of 1949: *Provided*, That, in the case of an area within the purview of clause (i) or (ii) of this subparagraph, a redevelopment plan or an urban renewal plan (as defined in title I of the Housing Act of 1949, as amended), as the case may be, has been approved for such area by the governing body of the locality involved and by the Secretary of Housing and Urban Development and the Secretary has determined that such plan conforms

<sup>1</sup> Repealed by sec. 108, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 657.

<sup>2</sup> Repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.

<sup>3</sup> Added by sec. 123, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 596.

<sup>4</sup> Sec. 102(a)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 154, inserted "loan and".

<sup>5</sup> Amended to include areas of urban renewal projects in disaster areas by sec. 307(b), Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1102, and further amended by sec. 311(c), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 478, to include code enforcement areas, the Supplemental Housing Authorization Act of 1977, Public Law 95-24, approved April 30, 1977, amended this Section as set forth in the text.



to a general plan for the locality as a whole and that there exist the necessary authority and financial capacity to assure the completion of such redevelopment or urban renewal plan: *And provided further*, That, in the case of an area within the purview of clause (iii) of this subparagraph, an urban renewal plan (as required for projects assisted under such section 111) has been approved for such area by such governing body and by the Secretary, and the Secretary has determined that such plan conforms to definite local objectives respecting appropriate land uses, improved traffic, public transportation, public utilities, recreational and community facilities, and other public improvements, and that there exist the necessary authority and financial capacity to assure the completion of such urban renewal plan, and

(B) meet such standards and conditions as the Secretary shall prescribe to establish the acceptability of such property for mortgage insurance under this section.

(2) The mortgaged property shall be held by—

(A) a mortgagor approved by the Secretary, and the Secretary may in his discretion require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return and methods of operation, and for such purpose the Secretary may make such contracts with and acquire for not to exceed \$100 stock or interest in any such mortgagor as the Secretary may deem necessary to render effective such restriction or regulations. Such stock or interest shall be paid for out of the General Insurance Fund and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance; or

(B) by Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend or redevelopment or housing corporations or other legal entities restricted by or under Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operation.

(3) The mortgage shall—

(A) (i) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$60,000<sup>1</sup> in the case of property upon which there is located a dwelling designed principally for a one-family residence; or \$65,000<sup>1</sup> in the case of a two-family residence; or \$65,000<sup>1</sup> in the case of a three-family residence; or \$75,000<sup>1</sup> in the case of a four-family residence; or in the case of a dwelling designed principally for residential use for more than four families (but not exceeding such additional number of family units as the Secretary may prescribe) \$75,000<sup>1</sup> plus not to exceed \$7,700<sup>1</sup> for each additional

<sup>1</sup> Sec. 113(d)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased the dollar limits on one-family homes from "\$30,000" to "\$33,000", on two- and three-family homes from "\$32,500" to "\$35,750", and on four-family homes from "\$37,500" to "\$41,250", and also increased from "\$7,000" to "\$7,700", the limit for each additional family unit in excess of four located on such property. Sec. 302(b) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, substituted "\$45,000" for "\$33,000", "\$48,750" for "\$35,750", and "\$56,000" for "\$41,250", each place it appears, Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, substituted "\$60,000" for "\$45,000", "\$65,000" for "\$48,750" and "\$75,000" for "\$56,000".

family unit in excess of four located on such property; and not to exceed an amount equal to the sum of (1) 97 per centum (but, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, unless the construction of the dwelling was completed more than one year prior to the application for mortgage insurance, 90<sup>1</sup> per centum) of \$25,000<sup>2</sup> of the Secretary's estimate of replacement cost of the property, as of the date the mortgage is accepted for insurance, and (2) 95 per centum of such value in excess of \$25,000<sup>2</sup>: *Provided*,<sup>3</sup> That in the case of properties other than new construction, the foregoing limitations upon the amount of the mortgage shall be based upon the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation rather than upon the Secretary's estimate of the replacement cost: *Provided further*.<sup>4</sup> That if the mortgagor is a veteran and the mortgage to be insured under this section covers property upon which there is located a dwelling designed principally for a one-family residence, the principal obligation may be in an amount equal to the sum of (1) 100 per centum of \$25,000<sup>5</sup> of the Secretary's estimate of replacement cost of the property, as of the date the mortgage is accepted for insurance and (2) 95 per centum of such value in excess of \$25,000<sup>5</sup>. As used herein, the term "veteran" means any person who served on active duty in the Armed Forces of the United States for a period of not less than ninety day (or as certified by the Secretary of Defense as having performed extrahazardous service), and who was discharged or released therefrom under conditions other than dishonorable;

(ii) <sup>6</sup> in a case where the mortgagor is not the occupant of the property and intends to hold the property for rental purposes, have a principal obligation in an amount not to exceed 93 per centum of the amount computed under the provisions of clause (i);

<sup>1</sup> Sec. 109(a)(2), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 657, substituted "90 per centum" for "85 per centum".

Sec. 609(a) (1), (2), and (3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 179, 180, substituted "\$15,000" for "\$13,500" and "75 per centum" for "70 per centum." Sec. 305(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1267, substituted "80 per centum" for "75 per centum".

<sup>4</sup> Sec. 310(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, substituted "\$25,000" for "\$15,000" in each clause numbered (1).

Sec. 310(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, substituted "\$25,000" and "\$35,000" for "\$15,000" and "\$25,000" in clauses numbered 2.

Sec. 310(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, substituted "\$35,000" for "\$25,000" in each clause numbered 3. Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, further amended this section as set forth in the text.

<sup>3</sup> Immediately prior to amendment by sec. 102(a)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 154, the limitations under this proviso were based upon "appraised value".

<sup>4</sup> Sec. 305(b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1267, added this proviso.

<sup>5</sup> Sec. 102(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 380, substituted "\$25,000" for "\$20,000". Sec. 310(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$25,000" for "\$15,000" in each clause numbered 1. Housing and Community Development Act of 1977 Public Law 95-128, approved October 12, 1977, further amended this section as set forth in the text.

<sup>6</sup> Sec. 209, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 469, amended these provisions to increase the maximum amount of a mortgage that can be insured in a case where the mortgagor is not the occupant of the property but intends to hold it for rental purposes.



(iii) in a case where the mortgagor is not the occupant of the property and intends to hold the property for the purpose of sale, have a principal obligation in an amount not to exceed 85 per centum of the amount computed under the provisions of clause (i), or in the alternative, in an amount equal to the amount computed under the provisions of clause (i) if the mortgagor and mortgagee assume responsibility in a manner satisfactory to the Secretary for the reduction of the mortgage by an amount not less than 15 per centum of the outstanding principal amount thereof, or by such greater amount as may be required to meet the limitations of clause (i), in the event the mortgaged property is not, prior to the due date of the eighteenth amortization payment of the mortgage, sold to a purchaser acceptable to the Secretary who is the occupant of the property and who assumes and agrees to pay the mortgage indebtedness; and

(iv) in no case involving refinancing (except as provided in clause (iii)) have a principal obligation in an amount exceeding the sum of the estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project, plus any existing indebtedness incurred in connection with improving, repairing, or rehabilitating the property; or

(B) (i)<sup>1</sup>

(ii) not exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost<sup>2</sup> of the property or project may include the land, the proposed physical improvements, utilities within the boundaries of the property or project, architect's fees, taxes, and interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary, and shall include an allowance<sup>3</sup> for builder's and sponsor's profit and risk of 10 per centum of all of the foregoing items except the land unless the Secretary, after certification that such allowance is unreasonable, shall by regulation prescribe a lesser percentage): *Provided*,<sup>4</sup> That in the case of properties other than new construction, the foregoing limitations upon the amount of the mortgage shall be based upon the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation rather than upon the Secretary's estimate of the replacement cost: *Provided further*, That in no case involving refinancing shall such mortgage exceed such

<sup>1</sup> Sec. 304(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck clause (i) in section 220(d)(3)(B) of the National Housing Act, but did not renumber the following paragraphs.

<sup>2</sup> Sec. 102(g), Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 636, substituted "replacement cost" for "value" where mortgages finance new construction.

<sup>3</sup> Provision for allowance for builder's and sponsor's profit and risk inserted by sec. 107(a), Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1094.

<sup>4</sup> Sec. 102(a)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 154, substituted the next two provisos for the following: "*Provided*, That in the case of properties other than new construction, the foregoing limitation upon the amount of the mortgage shall be based upon appraised value rather than upon the Commissioner's estimate of the replacement cost."



estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further*,<sup>1</sup> That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance:

(iii)<sup>2</sup> not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$19,500<sup>3</sup> per family unit without a bedroom, \$21,600<sup>3</sup> per family unit with one bedroom, \$25,800<sup>3</sup> per family unit with two bedrooms, \$31,800<sup>3</sup> per family unit with three bedrooms, and \$36,000<sup>3</sup> per family unit with four or more bedrooms, except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not exceed \$22,500<sup>4</sup> per family unit without a bedroom, \$25,200<sup>4</sup> per family unit with one bedroom, \$30,900<sup>4</sup> per family unit with two bedrooms, \$38,700<sup>4</sup> per family unit with three bedrooms and \$43,758<sup>4</sup> per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that with<sup>5</sup> respect to rehabilitation projects involving not more than five family units, the Secretary may by regulation increase by 25 per centum any of the foregoing dollar amount limitations contained in this clause which are applicable to units with two, three, or four or more bedrooms: *Provided*, That the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause<sup>6</sup> (as determined after the application of the preceding proviso) by not to exceed 50 per centum

<sup>1</sup> Sec. 311(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 510, added this proviso.

<sup>2</sup> Sec. 107(c), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 775, deleted the previous per room limits in this par. (3)(B)(iii) on the amount of a mortgage and substituted dollar amount limitations based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit.

<sup>3</sup> Sec. 113(d), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased by ten percent as shown in the text the dollar limits in this par. 3(B)(iii).

<sup>4</sup> Sec. 303(c)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$13,000" for "\$9,900", "\$18,000" for "\$13,750", "\$21,500" for "\$16,500", "\$26,500" for "\$20,350", and "\$30,000" for "\$23,100". Sec. 8(b)(3)(A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 220(d)(3)(B)(ii) of the National Housing Act by substituting "\$19,500" for "\$13,000", "\$21,600" for "\$18,000", "\$25,800" for "\$21,500", "\$31,800" for "\$26,500", and "\$36,000" for "\$30,000".

<sup>5</sup> Sec. 303(c)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$15,000" for "\$11,550", "\$21,000" for "\$16,500", "\$25,750" for "\$19,800", "\$32,250" for "\$24,750", and "\$36,465" for "\$28,050". Sec. 8(b)(3)(B) of such Act further amended this section by substituting "\$22,500" for "\$15,000", "\$25,200" for "\$21,000", "\$30,900" for "\$25,750", "\$38,700" for "\$32,250", and "\$43,758" for "\$36,465".

<sup>6</sup> This clause down to and including the first proviso added by sec. 306(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1267.

<sup>7</sup> Sec. 306(b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1268, inserted this parenthetical phrase and added "further" after the proviso that follows.

in any geographical area <sup>1</sup> where he finds that cost levels so require: *Provided further*, That nothing contained in this subparagraph shall preclude the insurance of mortgages covering existing multifamily dwellings to be rehabilitated or reconstructed for the purposes set forth in subsection (a) of this section; and

(iv) <sup>2</sup> include such nondwelling facilities as the Secretary deems desirable and consistent with the urban renewal plan: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community.

(4) The mortgage shall provide for complete amortization by periodic payments within such terms as the Secretary may prescribe, but as to mortgages coming within the provisions of paragraph (3) (A) of this subsection (d) not to exceed the maximum maturity prescribed by the provisions of section 203(b) (3). The mortgage shall bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market; contain such terms and provisions with respect to the application of the mortgagor's periodic payment to amortization of the principal of the mortgage, insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

(e) The Secretary may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

(f) The mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided—

(1) as to mortgages meeting the requirements of paragraph (3)

(A) of subsection (d) of this section, as provided in section 204 (a) of this Act with respect to mortgages insured under section 203; and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (i), and (k) <sup>3</sup> of section 204 of this Act shall be applicable to such mortgages insured under this section, except that all references therein to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund

<sup>1</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 220(d) (3) (B) (iii) of the National Housing Act by deleting the words, "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 220(d) (3) (B) (iii) of the National Housing Act by striking "by not to exceed 75 per centum in any geographical area" and inserted in lieu thereof "by not to exceed 50 per centum in any geographical area".

<sup>2</sup> Immediately prior to amendment by sec. 210. Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 470, clause (iv) read as follows:

"(iv) include such nondwelling facilities as the Commissioner deems adequate to serve the needs of the occupants of the property and of other housing in the neighborhood."

<sup>3</sup> Sec. 116(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 664, added "k".



and all references therein to section 203 shall be construed to refer to this section;

(2) as to mortgages meeting the requirements of paragraph (3) (B) of subsection (d) of this section, as provided in section 207(g) of this Act with respect to mortgages insured under said section 207, and the provisions of subsections (h), (i), (j), (k), and (l) of section 207 of this Act shall be applicable to such mortgages insured under this section, and all references therein to the Housing Insurance Fund or the Housing Fund shall be construed to refer to the General Insurance Fund; or

(3)<sup>1</sup> as to mortgages meeting the requirements of this section that are insured or initially endorsed for insurance on or after the date of enactment of the Housing Act of 1961, notwithstanding the provisions of paragraphs (1) and (2) of this subsection, the Secretary in his discretion, in accordance with such regulations as he may prescribe, may make payments pursuant to such paragraphs in cash or in debentures (as provided in the mortgage insurance contract), or may acquire a mortgage loan that is in default and the security therefor upon payment to the mortgagee in cash or in debentures (as provided in the mortgage insurance contract) of a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage. After the acquisition of the mortgage by the Secretary the mortgagee shall have no further rights, liabilities, or obligations with respect to the loan or the security for the loan. The appropriate provisions of sections 204 and 207 relating to the rights, liabilities, and obligations of a mortgagee shall apply with respect to the Secretary when he has acquired an insured mortgage under this paragraph, in accordance with and subject to regulations (modifying such provisions to the extent necessary to render their application for such purposes appropriate and effective) which shall be prescribed by the Secretary, except that as applied to mortgages so acquired (A) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, and (B) all references in section 204 to section 203 shall be construed to refer to this section. If<sup>2</sup> the insurance payment is made in cash, there shall be added to such payment an amount equivalent to the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

(g)<sup>3</sup>

(h)<sup>4</sup> (1) To assist further in the conservation, improvement, repair, and rehabilitation of property located in the area of an urban re-

<sup>1</sup> Sec. 612(g), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 181, added this paragraph.

<sup>2</sup> This sentence added by sec. 105(c)(1), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 772.

<sup>3</sup> Subsec. (g) deleted by sec. 1108(h), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 505.

<sup>4</sup> Sec. 102(a)(3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 154, added subsec. (h) but sec. 311(d), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 478, amended the first sentence of subsec. (h) to make FHA sec. 220 home improvement loans that are insured for urban renewal areas also available for code enforcement areas. Sec. 112(a), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 777, 778, amended the second sentence of subsec. (h) to provide for insurance of loans made to enable the borrower to pay assessments against his property.



newal project, or in an area in which a program of concentrated code enforcement activities is being carried out pursuant to section 117 of the Housing Act of 1949, as provided in paragraph (1) of subsection (d) of this section, the Secretary is authorized upon such terms and conditions as he may prescribe to make commitments to insure and to insure home improvement loans (including advances during construction or improvement) made by financial institutions on and after the date of enactment of the Housing Act of 1961.<sup>1</sup> As used in this subsection—

(A) the term “home improvement loan” means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made—

(i) for the purpose of financing the improvement of an existing structure (or in connection with an existing structure) which was constructed not less than ten years prior to the making of such loan, advance of credit, or purchase, and which is used or will be used primarily for residential purposes: *Provided*, That a home improvement loan shall include a loan, advance, or purchase with respect to the improvement of a structure which was constructed less than ten years prior to the making of such loan, advance, or purchase if the proceeds are or will be used primarily for major structural improvements, or to correct defects which were not known at the time of the completion of the structure or which were caused by fire, flood, windstorm, or other casualty; or

(ii) for the purpose of enabling the borrower to pay that part of the cost of the construction or installation of sidewalks, curbs, gutters, street paving, street lights, sewers, or other public improvements, adjacent to or in the vicinity of property owned by him and used primarily for residential purposes, which is assessed against him or for which he is otherwise legally liable as the owner of such property;

(B) the term “improvement” means conservation, repair, restoration, rehabilitation, conversion, alteration, enlargement, or remodeling; and

(C) the term “financial institution” means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b) (1).

(2) To be eligible for insurance under this subsection, a home improvement loan shall—

(i) not exceed the Secretary’s estimate of the cost of improvement, or \$12,000<sup>2</sup> per family unit, whichever is the lesser, and be limited as required by paragraph (11): *Provided*.<sup>3</sup> That the Secretary may, by regulation, increase such amount by not to exceed 45 per centum in any geographical area where he finds that cost levels so require;

(ii) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not

<sup>1</sup> June 30, 1961.

<sup>2</sup> Sec. 113(d) (4), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, substituted “\$12,000” for “\$10,000”.

<sup>3</sup> This proviso added by sec. 211(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 470.

exceed the limits provided in subsection (d) (3) for properties (of the same type) other than new construction;

(iii) bear interest at not to exceed a rate prescribed by the Secretary, but not in excess of 6 per centum per annum of the amount of the principal obligation outstanding at any time, and such other charges (including such service charges, appraisal, inspection, and other fees) as may be approved by the Secretary;

(iv) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the structure, whichever is the lesser;

(v) comply with such other terms, conditions, and restrictions as the Secretary may prescribe; and

(vi) represent the obligation of a borrower who is the owner of the property improved, or a lessee of the property under a lease for not less than 99 years which is renewable or under a lease having an<sup>1</sup> expiration date in excess of 10 years later than the maturity date of the loan.

(3) Any home improvement loan insured under this subsection may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection.

(4)<sup>2</sup>

(5) The Secretary is authorized to fix a premium charge for the insurance of home improvement loans under this subsection but in the case of any such loan such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the loan outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the financial institution either in cash or in debentures (at par plus accrued interest) issued by the Secretary as obligations of the General Insurance Fund, in such manner as may be prescribed by the Secretary, and the Secretary may require the payment of one or more such premium charges at the time the loan is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the loan. If the Secretary finds upon presentation of a loan for insurance and the tender of the initial premium charge or charges so required that the loan complies with the provisions of this subsection, such loan may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe. In the event the principal obligation of any loan accepted for insurance under this subsection is paid in full prior to the maturity date, the Secretary is authorized to refund to the financial institution for the account of the borrower all, or such portions as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

(6) In cases of defaults on loans insured under this subsection, upon receiving notice of default, the Secretary, in accordance with such regulations as he may prescribe, may acquire the loan and any

<sup>1</sup> Sec. 113, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 778, substituted "an expiration date in excess of 10 years later than the maturity date of the loan" for "a period of not less than 50 years to run from the date of the loan."

<sup>2</sup> Deleted by sec. 1108(h), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 505.



security therefor upon payment to the financial institution in cash or in debentures (as provided in the loan insurance contract) of a total amount equal to the unpaid principal balance of the loan, plus any accrued interest, any advances approved by the Secretary made previously by the financial institution under the provisions of the loan instruments, and reimbursement for such collection costs, court costs, and attorney fees as may be approved by the Secretary. If<sup>1</sup> the insurance payment is made in cash, there shall be added to such payment an amount equivalent to the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

(7) Debentures issued under this subsection shall be executed in the name of the General Insurance Fund as obligor, shall be signed by the Secretary, by either his written or engraved signature, shall be negotiable, and shall be dated as of the date the loan is assigned to the Secretary and shall bear interest from that date. They shall bear interest at a rate, established by the Secretary pursuant to section 224, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature ten years after their date of issuance. They shall be exempt from taxation as provided in section 207(i) with respect to debentures issued under that section. They shall be paid out of the General Insurance Fund which shall be primarily liable therefor and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and the guaranty shall be expressed on the face of the debentures. In the event the General Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures. Debentures issued under this subsection shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury, and they may be in coupon or registered form. Any difference between the amount of the debentures to which the financial institution is entitled, and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Secretary to the financial institution from the General Insurance Fund.

(8) The provisions of subsections (c), (d), and (h) of section 2 shall apply to home improvement loans insured under this subsection, and for the purposes of this subsection references in subsections (c), (d), and (h) of section 2 to "this section" or "this title" shall be construed to refer to this subsection.

(9) (A) Notwithstanding any other provisions of this Act, no home improvement loan executed in connection with the improvement of a

<sup>1</sup> This sentence added by sec. 105(c)(1), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769,772.



structure for use as rental accommodations for five or more families shall be insured under this subsection unless the borrower has agreed (i) to certify, upon completion of the improvement and prior to final endorsement of the loan, either that the actual cost of improvement equaled or exceeded the proceeds of the home improvement loan, or the amount by which the proceeds of the loan exceed the actual cost, as the case may be, and (ii) to pay forthwith to the financial institution, for application to the reduction of the principal of the loan, the amount, if any, certified to be in excess of the actual cost of improvement. Upon the Secretary's approval of the borrower's certification as required under this paragraph, the certification shall be final and incontestable, except for fraud or material misrepresentation on the part of the borrower.

(B) As used in subparagraph (A), the term "actual cost" means the cost to the borrower of the improvement, including the amounts paid for labor, materials, construction contracts, off-site public utilities, streets, organization and legal expenses, such allocations of general overhead items as are acceptable to the Secretary, and other items of expense approved by the Secretary, plus a reasonable allowance for builder's profit if the borrower is also the builder, as defined by the Secretary, and excluding the amount of any kickbacks, rebates, or trade discounts received in connection with the improvement.

(10) Notwithstanding any other provision of this Act, the Secretary is authorized and empowered (i) to make expenditures and advances out of funds made available by this Act to preserve and protect his interest in any security for, or the lien or priority of the lien securing, any loan or other indebtedness owing to, insured by, or acquired by the Secretary or by the United States under this subsection, or section 2 or 203(k); and (ii) to bid for and to purchase at any foreclosure or other sale or otherwise acquire property pledged, mortgaged, conveyed, attached, or levied upon to secure the payment of any loan or other indebtedness owing to or acquired by the Secretary or by the United States under this subsection or section 2 or 203(k). The authority conferred by this paragraph may be exercised as provided in the last sentence of section 204(g).

(11) Notwithstanding any other provision of this Act, no home improvement loan made in whole or in part for the purpose specified in clause (A) (ii) of the second sentence of paragraph (1) shall be insured under this subsection if such loan (or the portion thereof which is attributable to such purpose), when added to the aggregate principal balance of any outstanding loans insured under this subsection or section 203(k) which were made to the same borrower for the purpose so specified (or the portion of such aggregate balance which is attributable to such purpose), would exceed \$10,000 or<sup>1</sup> such additional amount as the Secretary has by regulation prescribed in any geographical area where he finds cost levels so required pursuant to the authority vested in him by the proviso in paragraph (2) (i) of this subsection.

<sup>1</sup> Sec. 211(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 470, added the remainder of this paragraph.

HOUSING FOR MODERATE INCOME AND DISPLACED FAMILIES <sup>1</sup>

SEC. 221. (a) This section is designed to assist private industry <sup>2</sup> in providing housing for low and moderate income families and displaced families.<sup>3</sup>

(b) The Secretary is authorized, upon application by the mortgagee, to insure under this section as hereinafter provided any mortgage (including <sup>4</sup> advances during construction on mortgages covering property of the character described in paragraphs (3) and (4) of subsection (d) of this section) which is eligible for insurance as provided herein and, upon such terms and conditions as the Secretary may prescribe, to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon.

(c) As used in this section, the terms "mortgage", "first mortgage", "mortgagee", "mortgagor", "maturity date" and "State" shall have the same meaning as in section 201 of this Act.

(d) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to and be held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

(2) be secured by property upon which there is located a dwelling conforming to applicable standards prescribed by the Secretary under subsection (f) of this section, and meeting the requirements of all State laws, or local ordinances or regulations relating to the public health or safety, zoning, or otherwise, which may be applicable thereto, and shall involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount (A) not to exceed (i) \$31,000 <sup>5</sup> (or \$36,000,<sup>5</sup> if the mortgagor's family includes five or more persons) in the case of a property upon which there is located a dwelling designed principally for a single-family residence, (ii) \$35,000 <sup>5</sup> in the case of a property upon which there is located a dwelling designed principally for a two-family residence, (iii) \$48,600 <sup>5</sup> in the case of a property upon which there is located a dwelling designed principally for a three-family residence, or (iv) \$59,400 <sup>5</sup> in the case of a property upon which there is located a dwelling designed principally for a four-

<sup>1</sup> Sec. 101(a), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, inserted this section heading, and amended the sec. 221 mortgage insurance program for displaced families to provide more liberal terms and to broaden the program to apply to low- and moderate-income families generally.

<sup>2</sup> See sec. 207, Appalachian Regional Development Act of 1965, which authorizes loans and grants for planning and preliminary expenses of sec. 221 housing for low- and moderate-income families and individuals.

<sup>3</sup> Sec. 4(a), Disaster Relief Act of 1966, Public Law 89-769, approved November 6, 1966, 80 Stat. 1316, 1317, substituted "displaced families" for "families displaced from urban renewal areas or as a result of governmental action".

<sup>4</sup> Sec. 101(a)(3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, inserted this parenthetical phrase.

<sup>5</sup> Sec. 113(e), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased the dollar limits on one-family homes from "\$15,000" to "\$18,000" (or "\$17,500" to "\$21,000" if the mortgagors family includes five or more persons), on two-family homes from "\$20,000" to "\$24,000", three-family homes from "\$27,000" to "\$32,400", and on four-family homes from "\$33,000" to "\$39,600". Sec. 302(c)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$21,600" for "\$18,000", "\$25,200" for "\$21,000", "\$28,800" for "\$24,000", "\$33,880" for "\$32,400", and "\$47,520" for "\$39,600". Sec. 3(d)(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d)(2)(A) of the National Housing Act by striking "\$21,600" and "\$25,200" and inserting in lieu thereof "\$25,000" and "\$29,000", respectively, dollar limits amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, as set forth in the text.

family residence: *Provided*, That a mortgage secured by property upon which there is located a dwelling designed principally for a two-, three-, or four-family residence shall not be insured under this section except in the case of a dwelling for occupancy by the mortgagor <sup>1</sup> *Provided further*, That the Secretary may increase the foregoing amounts to not to exceed \$36,000 <sup>1</sup> (or \$42,000 <sup>2</sup> if the mortgagor's family includes five or more persons), \$45,000, <sup>3</sup> \$57,600, <sup>3</sup> and \$68,400, <sup>3</sup> respectively, in any geographical area where he finds that cost levels so require; and (B) not to exceed the appraised value of the property (as of the date the mortgage is accepted for insurance): *Provided*, That (i) if the mortgagor is the owner and an occupant of the property at the time of insurance, (1) in the case of a displaced family, he shall have paid on account of the property at least \$200 in the case of a single-family dwelling, \$400 in the case of a two-family dwelling, \$600 in the case of a three-family dwelling, and \$800 in the case of a four-family dwelling, or (2) in the case of any other family, he shall have paid on account of the property at least 3 per centum of the Secretary's estimate of its acquisition cost, in cash or its equivalent; <sup>4</sup> which amount in either instance may include amounts to cover settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premium, and other prepaid expenses; or, (ii) in the case of repair and rehabilitation, the amount of the mortgage shall not exceed the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property: *Provided further*, That nothing contained herein shall preclude the Secretary from issuing a commitment to insure, and insuring a mortgage pursuant thereto, where the mortgagor is not the owner and an occupant of the property, if the property is to be built or acquired and repaired or rehabilitated for sale, and the insured mortgage financing is required to facilitate the construction, or the repair or rehabilitation, of the dwelling and to provide financing pending the subsequent sale thereof to a qualified owner who is also an occupant thereof, but in such instances the mortgage shall not exceed 85 per

<sup>1</sup> Sec. 305, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 508, substituted "the mortgagor" for "a displaced family".

<sup>2</sup> Sec. 101(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 483, inserted this proviso: further amended by Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, as set forth in the text.

<sup>3</sup> Sec. 113(e), Housing and Urban Development Act of 1969, Public Law 91-152 approved December 24, 1969, 83 Stat. 379, 384, substituted "\$21,000" for "\$17,500", "\$24,000" for "\$20,000", "\$30,000" for "\$25,000", "\$38,400" for "\$32,000", and "\$45,600" for "\$38,000". Sec. 302(c)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$25,200" for "\$21,000", "\$28,800" for "\$24,000", "\$36,000" for "\$30,000", "\$46,080" for "\$38,400", and "\$54,720" for "\$45,600". Sec. 3(d)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d)(2)(A) by striking out in the second proviso "\$25,200" and "\$28,800" and inserting in lieu thereof "\$29,000" and "\$33,000"; further amended by Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, as set forth in the text.

<sup>4</sup> Sec. 101(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 483, inserted "in cash or its equivalent".



centum of the appraised value; <sup>1</sup> *Provided further,*<sup>2</sup> That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling; or

(3)<sup>3</sup> if executed by a mortgagor which is a public body or agency (and, except with respect to a project assisted or to be assisted pursuant to section 8 of the United States Housing Act of 1937, which certifies that it is not receiving financial assistance from the United States exclusively pursuant to such Act),<sup>4</sup> a cooperative (including an investor-sponsor who meets such requirements as the Secretary may impose to assure that the consumer interest is protected), or a limited dividend corporation (as defined by the Secretary), or a private nonprofit corporation or association, or <sup>5</sup> other mortgagor approved by the Secretary, and regulated or supervised under Federal or State laws or by political subdivisions of States, or agencies thereof, or by the Secretary under a regulatory agreement or otherwise, as to rents, charges, and methods of operation, in such form and in such manner as in the opinion of the Secretary will effectuate the purposes of this section—

(i)<sup>6</sup>

(ii)<sup>7</sup> not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land

<sup>1</sup> Sec. 101(a)(5), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 150, deleted the proviso which read: "And provided further, That the Commissioner shall prescribe such procedures as in his judgment are necessary to secure to families, referred to in subsection (a) above, priorities in occupancy of the remaining units of two-, three-, and four-family dwellings after occupancy of one unit by the owner"; but see sec. 221(d)(3) (iii) and sec. 221(f).

<sup>2</sup> Same as footnote 2 on previous page.

<sup>3</sup> See provisions for rent supplements in sec. 101(j), Housing and Urban Development Act of 1965.

Sec. 201(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 502, provided that the insurance of a mortgage which had not been finally endorsed for insurance under sec. 221(d)(3) and which had been approved for the below market interest rate prescribed in the proviso of sec. 221(d)(5) could be transferred to section 236(j) (the interest rate reduction program for rental housing for lower income families).

Immediately prior to amendment by sec. 101(a)(6), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 150, section 221(d)(3) read as follows:

"(3) if executed by a mortgagor which is a private nonprofit corporation or association or other acceptable private nonprofit organization, regulated or supervised under Federal or State laws or by political subdivisions of States or agencies thereof or the Federal Housing Commissioner, as to rents, charges, and methods of operation, in such form and in such manner as, in the opinion of the Commissioner, will effectuate the purposes of this section, the mortgage may involve a principal obligation not in excess of \$12,500,000; and not in excess of \$9,000 per family unit for such part of such property or project as may be attributable to dwelling use, except that the Commissioner may by regulation increase this amount to not to exceed \$12,000 in any geographical area where he finds that cost levels so require, and not in excess of (1) in the case of new construction, the amount which the Commissioner estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Commissioner), or (2) in the case of repair and rehabilitation, the Commissioner's estimate of the value of the property when the proposed repair and rehabilitation is completed; *Provided*, That such property or project, when constructed, or repaired and rehabilitated, shall be for use as rental accommodations for ten or more families eligible for occupancy as provided in this section; or". The word "Commissioner" was changed to "Secretary" by sec. 1 of Public Law 90-19, approved May 25, 1967, 81 Stat. 17.

<sup>4</sup> Sec. 319(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended this section.

<sup>5</sup> Sec. 114(a), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 778, inserted, "or other mortgagor approved by the Commissioner, and".

<sup>6</sup> Sec. 304(e)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck clause (1) of section 221(d)(3) of the National Housing Act, but did not renumber the following paragraphs.

<sup>7</sup> Sec. 107(d)(1), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 775, deleted the previous per room limits in this par. (3)(ii) on the amount of a mortgage and substituted dollar amount limitations based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit.

Sec. 113(e), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased by fifteen percent as shown in the text the dollar limits in this par. 3(ii).

improvements as defined by the Secretary), \$21,563<sup>1</sup> per family unit without a bedroom \$24,862<sup>1</sup> per family unit with one bedroom \$29,984<sup>1</sup> per family unit with two bedrooms, \$38,379<sup>1</sup> per family unit with three bedrooms, and \$42,756<sup>2</sup> per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$22,692<sup>3</sup> per family unit without a bedroom, \$26,012<sup>3</sup> per family unit with one bedroom, \$31,631<sup>3</sup> per family unit with two bedrooms, \$40,919<sup>3</sup> per family unit with three bedrooms, and \$44,917<sup>3</sup> per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause by not to exceed 50 per centum in any geographical area<sup>4</sup> where he finds that cost levels so require; and

(iii) not exceed (1) in the case of new construction, the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary), or (2) in the case of repair and rehabilitation, the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation: *Provided*, That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the

<sup>1</sup> Sec. 303(d)(A) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$11,240" for "\$9,200", "\$15,540" for "\$12,937.50", "\$18,630" for "\$15,525", "\$23,460" for "\$19,550", and "\$26,570" for "\$22,137.50". Sec. 8(b)(4)(A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d)(3)(ii) of the National Housing Act by substituting "\$16,860" for "\$11,240", "\$18,648" for "\$15,540", "\$22,356" for "\$18,630", "\$28,152" for "\$23,460", and "\$31,884" for "\$26,570". Sec. 325(a) Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 approved October 31, 1978, substituted "\$21,563" for "\$16,860", "\$24,662" for "\$18,648", "\$29,984" for "\$22,356", and "\$38,379" for "\$28,152".

<sup>2</sup> Sec. 303(d)(A) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$11,240" for "\$9,200", "\$15,540" for "\$12,937.50", "\$18,630" for "\$15,525", "\$23,460" for "\$19,550", and "\$26,570" for "\$22,137.50". Sec. 8(b)(4)(A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d)(3)(ii) of the National Housing Act by substituting "\$16,860" for "\$11,240", "\$18,648" for "\$15,540", "\$22,356" for "\$18,630", "\$28,152" for "\$23,460", and "\$31,884" for "\$26,570". Sec. 325(a). Housing and Community Development Amendment of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "\$42,756" for "\$31,884".

<sup>3</sup> Sec. 303(d)(B) of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended section 221(d)(3)(ii) of the National Housing Act by substituting "\$13,120" for "\$10,925", "\$18,630" for "\$15,500", "\$22,080" for "\$18,400", "\$27,600" for "\$23,000", and "\$32,000" for "\$26,162.50". Sec. 8(b)(4)(B) of the Housing Authorization Act of 1976, Public Law, 94-375, approved August 3, 1976, 90 Stat. 1067, amended this section by substituting "\$19,680" for "\$13,120", "\$22,356" for "\$18,630", "\$26,496" for "\$22,080", "\$33,120" for "\$27,600", and "\$38,400" for "\$32,000". Sec. 325(a), Housing and Community Development Amendment of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "\$22,692" for "\$19,680", "\$26,012" for "\$22,356", "\$31,631" for "\$26,496", "\$40,919" for "\$33,120", "\$44,917" for "\$38,400".

<sup>4</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 221(d)(3)(ii) of the National Housing Act by deleting the words "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d)(3)(ii) of the National Housing Act by striking "by not to exceed 75 per centum in any geographical area" and inserting in lieu thereof "by not to exceed 50 per centum in any geographical area".



property or project: *Provided further*,<sup>1</sup> That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance: *Provided further*,<sup>2</sup> That in the case of any mortgagor other than a nonprofit corporation or association, cooperative (including an investor-sponsor), or public body, or a mortgagor meeting the special requirements of subsection (e)(1), the amount of the mortgage shall not exceed 90 per centum of the amount otherwise authorized under this section: *Provided further*, That such property or project, when constructed, or repaired and rehabilitated, shall be for use as a rental or cooperative project, and low and moderate income families or displaced families<sup>3</sup> shall be eligible for occupancy in accordance with such regulations and procedures as may be prescribed by the Secretary and the Secretary may adopt such requirements as he determines to be desirable regarding consultation with local public officials where such consultation is appropriate by reason of the relationship of such project to projects under other local programs; or

(4)<sup>4</sup> if executed by a mortgagor and which is approved by the Secretary—

(i)<sup>5</sup>

(ii)<sup>6</sup> not exceed, or such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$19,406<sup>7</sup> per family unit without a bedroom, \$22,028<sup>7</sup> per family unit with one bedroom \$26,625<sup>7</sup> per family unit with two bedrooms, \$33,420<sup>7</sup> per family unit with three bedrooms, and \$37,870<sup>7</sup> per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to

<sup>1</sup> Sec. 311(b). Housing and Urban Development Act of 1968. Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 510, inserted this proviso.

<sup>2</sup> Sec. 114(c). Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 779, inserted this proviso.

<sup>3</sup> Sec. 4(a). Disaster Relief Act of 1966, Public Law 89-769, approved November 6, 1966, 80 Stat. 1316, 1317, substituted "displaced families" for "families displaced by urban renewal or other governmental action".

<sup>4</sup> Sec. 110(c)(3). Housing Act of 1959. Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 660, inserted paragraph (4); the Supplemental Housing Authorization Act of 1977, Public Law 95-24, approved April 30, 1977, amended paragraph (4).

<sup>5</sup> Sec. 304(e)(2) of Housing and Community Development Act of 1974. Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck clause (1) of section 221(d)(4) of the National Housing Act, but did not renumber the following paragraphs.

<sup>6</sup> Sec. 107(d)(2). Housing Act of 1964. Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 775, 776, deleted the previous per room limits in this par. (4)(ii) on the amount of a mortgage and substituted dollar amount limitations based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit.

Sec. 113(e), (5) and (6), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased by fifteen percent as shown in the text the dollar limits in this par. 4(ii).

<sup>7</sup> Sec. 303(e)(1) of Housing and Community Development Act of 1974. Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$12,300" for "\$9,200", "\$17,188" for "\$12,937.50", "\$20,525" for "\$15,525", "\$24,700" for "\$19,550", and "\$29,038" for "\$22,137.50". Sec. 8(b)(5)(A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d)(4)(ii) of the National Housing Act by substituting "\$18,450" for "\$12,300", "\$20,625" for "\$17,188", "\$24,630" for "\$20,525", "\$29,640" for "\$24,700", and "\$34,846" for "\$29,038".

Sec. 325(b). Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "\$19,406" for "\$18,450", "\$22,028" for "\$20,625", "\$26,625" for "\$24,630", "\$33,420" for "\$29,640", and \$37,870 for "\$34,846".



exceed \$20,962<sup>1</sup> per family unit without a bedroom, \$24,030<sup>1</sup> per family units with one bedroom, \$29,220<sup>1</sup> per family unit with two bedrooms, \$37,800<sup>1</sup> per family unit with three bedrooms, and \$41,494<sup>1</sup> per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause by not to exceed 50 per centum in any geographical area<sup>2</sup> where he finds that cost levels so require:

(iii) not exceed (in the case of a property or project approved for mortgage insurance prior to the beginning of construction) 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary, and shall include an allowance for builder's and sponsor's profit and risk of 10 per centum of all of the foregoing items, except the land, unless the Secretary, after certification that such allowance is unreasonable, shall by regulation prescribe a lesser percentage; and

(iv)<sup>3</sup> not exceed 90 per centum of the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation of the proceeds of the mortgage are to be used for the repair and rehabilitation of a property or project: *Provided*, That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further*, That the Secretary may, in his discretion, require the mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation, and for such purpose the Secretary may make such contracts with and acquire for not to exceed \$100 such stock or interest in any such mortgage

<sup>1</sup> Sec. 303(e) (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$13,975" for "\$10,525", "\$20,025" for "\$15,525", "\$24,350" for "\$18,400", "\$31,500" for "\$23,000", and "\$34,578" for "\$26,162.50". Sec. 8(b) (5) (B) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, further amended section 221(d) (4) (ii) of the National Housing Act by substituting "\$20,962" for "\$13,975", "\$24,030" for "\$20,025", "\$29,220" for "\$24,350", "\$37,800" for "\$31,500", and "\$41,494" for "\$34,578".

<sup>2</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 221(d) (4) (ii) of the National Housing Act by deleting the words "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 221(d) (4) (ii) of the National Housing Act by striking "by not to exceed 75 per centum in any geographical area" and inserting in lieu thereof "by not to exceed 50 per centum in any geographical area".

<sup>3</sup> The language through the first proviso in par. (iv) was substituted by sec. 101(a) (9), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 151, for the following:

"(iv) not exceed 90 per centum of the Commissioner's estimate of the value of the property or project when the proposed repair and rehabilitation is completed if the proceeds of the mortgage are to be used for the repair and rehabilitation of property or project: *Provided*, That such property or project when constructed, or repaired and rehabilitated, shall be for use as rental accommodations for ten or more families eligible for occupancy as provided in this section; *And provided further*."

as the Secretary may deem necessary to render effective such restrictions or regulations, with such stock or interest being paid for out of the General Insurance Fund and being required to be redeemed by the mortgage at par upon the termination of all obligations of the Secretary under the insurance;

(5)<sup>1</sup> bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market; and contain such terms and provisions with respect to the application of the mortgagor's periodic payment to amortization of the principal of the mortgage, insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe: *Provided*,<sup>2</sup> That a mortgage insured under the provisions of subsection (d) (3) shall bear interest (exclusive of any premium charges for insurance and service charge, if any) at not less than the<sup>3</sup> lower of (A) 3 per centum per annum, or (B) the annual rate of interest determined, from time to time by the Secretary of the Treasury at the request of the Secretary, by estimating the average market yield to maturity on all outstanding marketable obligations of the United States, and by adjusting such yield to the nearest one-eighth of 1 per centum, and there shall be no differentiation in the rate of interest charged under this proviso as between mortgagors under subsection (d) (3) on the basis of differences in the types or classes of such mortgagors; and

(6)<sup>4</sup> provide for complete amortization by periodic payments within such terms as the Secretary may prescribe, but as to mortgages coming within the provisions of subsection (d) (2) not to exceed from the date of the beginning of amortization of the mortgage (i) 40 years in the case of a displaced family, (ii) 35 years in the case of any other family if the mortgage is approved for insurance prior to construction, except that the period in such case may be increased to not more than 40 years where the mortgagor is an owner-occupant of the property and is not able, as determined by the Secretary, to make the required payments

<sup>1</sup> Sec. 101(a) (10), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 151, inserted par. (6) of this subsection and deleted the following from the beginning of paragraph (5):

"(5) provide for complete amortization by periodic payments within such terms as the Commissioner may prescribe, but not to exceed forty years from the date of insurance of the mortgage or three-quarters of the Commissioner's estimate of the remaining economic life of the building improvements, whichever is the lesser:"

<sup>2</sup> Sec. 101(a) (11), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 152, added this proviso. Section 201(c) Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, provides:

"The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been [sic] finally endorsed for insurance under section 221(d) (3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d) (5) of such Act."

<sup>3</sup> The words "the lower of (A) 3 per centum per annum, or (B)" inserted by sec. 102(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 454.

<sup>4</sup> Added by sec. 101(a) (10), Housing Act of 1961, Public Law 87-70 approved June 30, 1961, 75 Stat. 149, 151, except that in clause (i), sec. 4(a), Disaster Relief Act of 1966, Public Law 89-769, approved November 6, 1966, 80 Stat. 1316, 1317, substituted "displaced family" for "family displaced from an urban renewal area or as a result of governmental action."



under a mortgage having a shorter amortization period, and (iii) 30 years in the case of any other family where the mortgage is not approved for insurance prior to construction: *Provided*, That no mortgage insured under subsection (d) (2) shall have a maturity exceeding three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

(e) (1)<sup>1</sup> A mortgagor which may be approved by the Secretary as provided in subsection (d) (3) includes a mortgagor which, as a condition of obtaining insurance of the mortgage and prior to the submission of its application for such insurance, has entered into an agreement (in form and substance satisfactory to the Secretary) with a private nonprofit corporation eligible for an insured mortgage under the provisions of subsection (d) (3), that the mortgagor will sell the project when it is completed to the corporation at the actual cost of the project, as certified pursuant to section 227 of this Act. The mortgagor to whom the property is sold shall be regulated or supervised by the Secretary as provided in subsection (d) (3) to effectuate its purposes.

(2) The Secretary may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

(f) The property or project shall comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of such property for mortgage insurance and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants: *Provided*,<sup>2</sup> That in the case of any such property or project located in an urban renewal area, the provisions of section 220(d) (3) (B) (iv) shall apply with respect to the nondwelling facilities which may be included in the mortgage<sup>3</sup>: *Provided further*,<sup>4</sup> That in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), the provisions of section 220(d) (3) (B) (iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities.

A<sup>5</sup> property or project covered by a mortgage insured under the provisions of subsection (d) (3) or (d) (4) shall include five or more family units: *Provided*,<sup>6</sup> That such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities, and such projects may include central dining and other shared facilities. The Secretary is authorized to adopt such procedures and requirements as he determines are desirable to assure that the dwelling accommodations provided under this section are

<sup>1</sup> Sec. 114(b), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 778, added paragraph (1).

<sup>2</sup> Sec. 308, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1268, added this proviso.

<sup>3</sup> Sec. 306, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 508, deleted "if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to community and shopping facilities".

<sup>4</sup> Sec. 306, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 508, inserted this proviso.

<sup>5</sup> Sec. 101(a) (12), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 152, inserted the remainder of this par. (f).

<sup>6</sup> Sec. 115(a) (1), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1773, inserted this proviso.



available to displaced families.<sup>1</sup> Notwithstanding any provision of this Act, the Secretary, in order to assist further the provision of housing for low and moderate income families, in his discretion and under such conditions as he may prescribe, may insure a mortgage which meets the requirements of subsection (d) (3) of this section as in effect after the date of enactment of the Housing Act of 1961, or<sup>2</sup> which meets the requirements of subsection (h), (i), or (j)<sup>3</sup> with no premium charge, with a reduced premium charge, or with a premium charge for such period or periods during the time the insurance is in effect as the Secretary may determine, and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to reimburse the General Insurance Fund for any net losses in connection with such insurance. No mortgage shall be insured under this section after September 30, 1979,<sup>4</sup> except pursuant to a commitment to insure before that date, or except a mortgage covering property which the Secretary finds will assist in the provision of housing for displaced families. Any person<sup>5</sup> who is sixty-two years of age or over, or who is a handicapped person within the meaning of section 202 of the Housing Act of 1959, or who is a displaced person, shall be deemed to be a family within the meaning of the terms "family" and "families" as those terms are used in this section. Low-<sup>6</sup> and moderate-income persons who are less than 62 years of age shall be eligible for occupancy of dwelling units in a project financed with a mortgage insured under subsection (d) (3).<sup>7</sup>

In<sup>8</sup> any case in which it is determined in accordance with regulations of the Secretary that facilities in existence or under construction on the date of enactment of the Housing and Urban Development Act of 1970 which could appropriately be used for classroom purposes

<sup>1</sup> Sec. 4(a). Disaster Relief Act of 1966, Public Law 89-769, approved November 6, 1966, 80 Stat. 1316, 1317, substituted "displaced families" for "families displaced from urban renewal areas or as a result of governmental action".

<sup>2</sup> Sec. 210(c). Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1270, added this clause.

<sup>3</sup> Sec. 105(d). Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 490, inserted "(i) or (j)".

<sup>4</sup> Sec. 2(c) of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, extended the expiration date for the insurance of mortgages under sec. 221 from October 1, 1969, to January 1, 1970, and sec. 101(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, further extended such expiration date from January 1, 1970, to October 1, 1970. This expiration date was subsequently extended as follows: (1) To November 1, 1970, by sec. 1(c) of Public Law 91-432, approved October 2, 1970, 84 Stat. 886; (2) to December 1, 1970, by sec. 1(c) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064; (3) to January 1, 1971, by sec. 1(c) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384; (4) to October 1, 1972, by sec. 101(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved; (5) to June 30, 1973, by sec. 1(c) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906; (6) to October 1, 1973, by sec. 1(c) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; (7) to October 1, 1974, by sec. 1(c) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421; and (8) sec. 316(c) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974". Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977. (Public Law 95-60 approved June 30, 1977, had previously extended the date from June 30, 1977 to July 31, 1977, Public Law 95-80, approved July 31, 1977, had further extended the date from July 31, 1977 to September 30, 1977). This was further amended by section 301(c) of the Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>5</sup> Sec. 202. Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 783, amended sec. 221(f) to include persons 62 years of age or over, and sec. 203(b), Housing Act of 1964, 78 Stat. 769, 784, further amended this section to include handicapped persons. Sec. 115(a) (2) (A), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1773, subsequently amended this section to include displaced persons.

<sup>6</sup> Sec. 309. Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1268, added this sentence.

<sup>7</sup> Sec. 4 (a) of Public Law 94-173, 89 Stat. 1927, approved December 23, 1975, amended sec. 221(f) of the National Housing Act by deleting the words "but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons".

<sup>8</sup> Sec. 114(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1773, added this sentence.

are available in any such property or project and that public schools in the community are overcrowded due in part to the attendance at such schools of residents of the property or project, such facilities may be used for such purposes to the extent permitted in such regulations (without being subject to any of the requirements of the proviso in section 220(d)(3)(B)(iv) except the requirement that the project be predominantly residential).

As<sup>1</sup> used in this section the terms "displaced family", "displaced families", and "displaced person" shall mean a family or families, or a person, displaced from an urban renewal area, or as a result of governmental action, or as a result of a major disaster as determined by the President pursuant to the Disaster Relief Act of 1970.

(g) The mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided—

(1) as to mortgages meeting the requirements of paragraph (2) of subsection (d) of this section, paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section as provided in section 204(a) of this Act with respect to mortgages insured under section 203, and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 of this Act shall be applicable to such mortgages insured under this section, except that all references therein to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund and all references therein to section 203 shall be construed to refer to this section; or

(2) as to mortgages meeting the requirements of paragraph (3) or (4) of subsection (d) of this section, paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j) of this section, as provided in section 207(g) of this Act with respect to mortgages insured under said section 207, and the provisions of subsections (h), (i), (j), (k), and (l) of section 207 of this Act shall be applicable to such mortgages insured under this section; or

(3)<sup>2</sup> as to mortgages meeting the requirements of this section which are insured or initially endorsed for insurance on or after the date of enactment of the Housing Act of 1961,<sup>3</sup> notwithstanding the provisions of paragraphs (1) and (2) of this subsection, the Secretary in his discretion, in accordance with such regulations as he may prescribe, may make payments pursuant to such paragraphs in cash or in debentures (as provided in the mortgage insurance contract), or may acquire a mortgage loan that is in default and the security therefor upon payment to the mortgagee in cash or in debentures (as provided in the mortgage insurance contract) of a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage, and after the acquisition of any such mortgage by the Secretary the mortgagee shall have no

<sup>1</sup> Sec. 115(a)(2)(B), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1773, inserted the reference to displaced persons. The sentence was originally added by sec. 4(b), Disaster Relief Act of 1966, Public Law 89-769, approved November 6, 1966, 80 Stat. 1316, 1317. Sec. 602(d) of Disaster Relief Act of 1974, Public Law 93-288, 88 Stat. 143, approved May 22, 1974, substituted "the Disaster Relief Act of 1974" for "the Disaster Relief Act of 1970".

<sup>2</sup> Sec. 101(a)(13), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 153, inserted par. (3).

<sup>3</sup> June 30, 1961.



further rights, liabilities, or obligations with respect to the loan or the security for the loan. The appropriate provisions of sections 204 and 207 relating to the issuance of debentures shall apply with respect to debentures issued under this paragraph, and the appropriate provisions of sections 204 and 207 relating to the rights, liabilities, and obligations of a mortgagee shall apply with respect to the Secretary when he has acquired an insured mortgage under this paragraph, in accordance with and subject to regulations (modifying such provisions to the extent necessary to render their application for such purposes appropriate and effective) which shall be prescribed by the Secretary, except that as applied to mortgages so acquired (A) all references in section 204 to the Mutual Mortgage Insurance Fund or the fund shall be construed to refer to the General Insurance Fund, and (B) all references in section 204 to section 203 shall be construed to refer to this section. If<sup>1</sup> the insurance is paid in cash, there shall be added to such payment an amount equivalent to the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

(4)<sup>2</sup> In the event any mortgage insured under this section is not in default at the expiration of twenty years from the date the mortgage was endorsed for insurance, the mortgagee shall, within a period thereafter to be determined by the Secretary, have the option to assign, transfer, and deliver to the Secretary the original credit instrument and the mortgage securing the same and receive the benefits of the insurance as hereinafter provided in this paragraph, upon compliance with such requirements and conditions as to the validity of the mortgage as a first lien and such other matters as may be prescribed by the Secretary at the time the loan is endorsed for insurance. Upon such assignment, transfer, and delivery the obligation of the mortgagee to pay the premium charges for insurance shall cease, and the Secretary shall, subject to the cash adjustment provided herein, issue to the mortgagee debentures having a total face value equal to the amount of the original principal obligation of the mortgage which was unpaid on the date of the assignment, plus accrued interest to such date. Debentures issued pursuant to this paragraph shall be issued in the same manner and subject to the same terms and conditions as debentures issued under paragraph (1) of this subsection, except that the debentures issued pursuant to this paragraph shall be dated as of the date the mortgage is assigned to the Secretary, shall mature ten years after such date, and shall bear interest from such date at the going Federal rate determined at the time of issuance. The term "going Federal rate" as used herein means the annual rate of interest which the Secretary of the Treasury shall specify as applicable to the six-month period (consisting of January through June or July through December) which includes the issuance date of such debentures, which applicable rate for each six-month period shall be determined by the Secretary of the Treasury by estimating the average yield to maturity, on the basis of daily closing market

<sup>1</sup> This sentence added by sec. 105(c)(2), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 772.

<sup>2</sup> Immediately prior to amendment by sec. 101(a)(13), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 153, this paragraph was designated as "(3)".



bid quotations or prices during the month of May or the month of November, as the case may be, next preceding such six-month period, on all outstanding marketable obligations of the United States having a maturity date of eight to twelve years from the first day of such month of May or November (or, if no such obligations are outstanding, the obligation next shorter than eight years and the obligation next longer than twelve years, respectively, shall be used), and by adjusting such estimated average annual yield to the nearest one-eighth of 1 per centum. The Secretary shall have the same authority with respect to mortgages assigned to him under this paragraph as contained in section 207(k) and section 207(1) as to mortgages insured by the Secretary and assigned to him under section 207 of this Act.

(h) (1)<sup>1</sup> In addition to mortgages insured under the other provisions of this section, the Secretary is authorized, upon application by the mortgagee, to insure under this subsection as hereinafter provided any mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization to finance the purchase and rehabilitation of deteriorating or substandard housing for subsequent resale to low-income home purchasers and, upon such terms and conditions as the Secretary may prescribe, to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon.

(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

(A)<sup>2</sup> be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;

(B) be secured by the property which is to be purchased and rehabilitated with the proceeds thereof;

(C) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of the rehabilitation;

(D) bear interest (exclusive of premium charged for insurance and service charge, if any) at the rate in effect under the proviso in subsection (d) (5) at the time of execution;

(E) provide for complete amortization (subject to paragraph (5) (E)) by periodic payments within such term as the Secretary may prescribe; and

(F) provide for the release of individual single-family dwellings from the lien of the mortgage upon the sale of the rehabilitated dwellings in accordance with paragraph (5).

<sup>1</sup> Sec. 310(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1268, added subsec. (h).

<sup>2</sup> Sec. 316(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512, amended paragraph (A) to decrease from 5 to 4 the minimum number of units in a project and to permit section 221(h) insurance for housing consisting of units in a condominium structure.

(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property to be rehabilitated is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the rehabilitation to be carried out by the mortgagor plus its related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

(4) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed \$50,000,000.<sup>1</sup>

(5) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement (in form and substance satisfactory to the Secretary) that it will offer to sell<sup>2</sup> the dwellings involved, upon completion of their rehabilitation, to individuals or families (hereinafter referred to as "low-income purchasers") determined by the Secretary to have incomes below the maximum amount specified (with respect to the area involved) in section 101(c)(1) of the Housing and Urban Development Act of 1965.

(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low-income purchasers as provided in subparagraph (A). Any such mortgage shall—

(i) be in a principal amount equal to that portion of the unpaid balance of the principal mortgage covering the property (insured under paragraph (1)) which is allocable to the individual dwelling involved; and

(ii)<sup>3</sup> bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage: *Provided*, That, if the rate of interest initially prescribed is less than the rate borne by the principal mortgage and the purchaser's income (as determined on the basis of periodic review) subsequently rises, the rate of interest so prescribed shall be increased (but not above the rate borne by such principal mortgage), under regulations of the Secretary, to the extent appro-

<sup>1</sup> Sec. 101(c)(2), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 483, substituted "\$50,000,000" for "\$20,000,000".

<sup>2</sup> Sec. 101(c)(4), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 484, provides: "The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date on enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act but, such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act."

<sup>3</sup> Sec. 101(c)(1), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 483, amended paragraph (ii) to read as set forth in the text. Prior to this amendment paragraph (ii) read as follows: "bear interest at the same rate as the principal mortgage, and provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage."



prorate to reflect the increase in such income, and the mortgage shall so provide.

(C) The price for which any individual dwelling is sold to a low-income purchaser under this paragraph shall be the amount of the mortgage covering the sale as determined under subparagraph (B), except that the purchaser shall in addition thereto be required to pay on account of the property at the time of purchase such amount (which shall not be less than \$200, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate in the circumstances.

(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the principal mortgage, and such mortgage shall thereupon be replaced by an individual mortgage insured under this paragraph to the extent of the portion of its unpaid balance which is allocable to the dwelling covered by such individual mortgage. Until all of the individual dwellings in the property covered by the principal mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time as though they constituted rental units in a project covered by a mortgage which is insured under subsection (d)(3) (and which receives the benefits of the interest rate provided for in the proviso in subsection (d)(5)).

(E) Upon the sale under this paragraph of all of the individual dwellings in the property covered by the principal mortgage, and the release of all individual dwellings from the lien of the principal mortgage, the insurance of the principal mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

(F) Any mortgage insured under this paragraph shall contain a provision that if the low-income mortgagor does not continue to occupy the property the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time of commitment for insurance of the principal mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) the nonprofit organization which executed the principal mortgage (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary.

(6)<sup>1</sup> In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection at any time within one year after the date of the enactment of this paragraph, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improved of single-family dwellings of detached, semidetached, or row construction that

<sup>1</sup> Sec. 221(h)(6) was added by sec. 101(c)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 483.



are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

(A) be in principal amount not exceeding the lesser of \$18,000<sup>1</sup> or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate: *Provided*, That, if the rate of interest initially prescribed is less than 3 per centum per annum and the mortgagor's income (as determined on the basis of periodic review) subsequently rises, the rate shall be increased (but not above 3 per centum), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide;

(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than \$200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

(D) contain a provision that, if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary.

(7)<sup>2</sup> Where the Secretary approved a plan of family unit ownership, the terms "single-family dwelling," "single-family dwellings," "individual dwelling," an "individual dwellings" shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

<sup>1</sup> Sec. 113(e)(7), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, substituted "\$18,000" for "\$15,000".

<sup>2</sup> Sec. 316(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512 inserted paragraphs (7) and (8).

(8) <sup>1</sup> For purposes of this subsection, the terms "single-family dwelling" and "single-family dwellings" (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

(i) <sup>2</sup> (1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

(2) (A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5);

(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d) (5) at the date of the commitment for insurance; and

(iv) provide for complete amortization by periodic payments within such terms as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised

<sup>1</sup> Sec. 316(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512 inserted paragraphs (7) and (8).

<sup>2</sup> Sec. 105(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 488, added sec. 221(i).

value of the property, as determined under subparagraph (A) (ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low- or moderate-income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section, effective at the time the commitment was issued for the insurance of the mortgage.

(5) For the purpose of this subsection—

(i) the term “mortgage”, when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

(ii) the term “common areas and facilities” includes the land and such commercial, community, and other facilities as are approved by the Secretary.

(j)<sup>1</sup> (1) The Secretary is authorized, with respect to any rental project, involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families hav-

<sup>1</sup> Sec. 105(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 488, added sec. 221(j).



ing an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest as such below-market rate: *Provided*, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d) (5); and

(iii) provide for complete amortization within such term as the Secretary may prescribe.

#### MORTGAGE INSURANCE FOR SERVICEMEN

SEC. 222.<sup>1</sup> (a) The purpose of this section is to aid in the provision of housing accommodations for servicemen in the Armed Forces of the United States, servicemen in the United States Coast Guard and their families, and servicemen in the United States National Oceanic and Atmospheric Administration and their families by supplementing the insurance of mortgages under section 203 of this title with a system of mortgage insurance specially designed to assist the financing required for the construction or purchase of dwellings by those persons. As used in this section, a "serviceman" means a person to whom the Secretary of Defense (or any officer or employee designated by him), the Secretary of Transportation (or any officer or employee designated by him), or the Secretary of Commerce (or any officer or employee designated by him), as the case may be, has issued a certificate hereunder indicating that such person requires housing, is serving on active duty in the Armed Forces of the United States, in the United States Coast Guard, or in the United States National Oceanic and Atmospheric Administration and has served on active duty for more than two years, but a certificate shall not be issued hereunder to any person ordered to active duty for training purposes only. The Secretary of Defense, the

<sup>1</sup> Sec. 222 was added by Sec. 124 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 603 and amended by Public Law 91-621, approved December 31, 1970, 84 Stat. 1863, 1867, to include servicemen in the United States National Oceanic and Atmospheric Administration and their families.

Secretary of Transportation, and the Secretary of Commerce, respectively, are authorized to prescribe rules and regulations governing the issuance of such certificates and may withhold issuance of more than one such certificate to a serviceman whenever in his discretion issuance is not justified due to circumstances resulting from military assignment, or, in the case of the United States Coast Guard or the United States National Oceanic and Atmospheric Administration, other assignment.

(b)<sup>1</sup> To be eligible for insurance under this section a mortgage shall—

(1) meet the requirements of section 203(b) or 203(i),<sup>2</sup> or 221(d)(2)<sup>3</sup> or 234(c),<sup>4</sup> except as such requirements are modified by this section;

(2) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$60,000,<sup>5</sup> except that in the case of a mortgage meeting the requirements of section 203(i) or <sup>6</sup> section 221(d)(2) such principal obligation shall not exceed the maximum limits prescribed for such section;

(3)<sup>7</sup> have a principal obligation not in excess of the sum of (i) 97 per centum of \$25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, and (ii) 95 per centum of such value in excess of \$25,000;<sup>8</sup> and

(4) be executed by a mortgagor who at the time of application for insurance is certified as a "serviceman" and who at the time

<sup>1</sup> Subsec. 222(b) amended to read as set forth in the text by sec. 103 of the Housing Act of 1957, Public Law 85-104, 85th Congress, approved July 12, 1957, 71 Stat. 294, 296. Sec. 104 of the Housing Act of 1957 provides further that the Secretary, in establishing maximum loan-to-value ratios for mortgages insured by him under sec. 222(b) "shall determine that such ratios are in the public interest after taking into consideration (1) the effect of such ratios in the national economy and on conditions in the building industry, and (2) availability or unavailability of residential mortgage credit assisted under the Servicemen's Readjustment Act of 1944, as amended."

Prior to amendment by the Housing Act of 1957 subsec. 222(b) reads as follows:

"(b) In addition to mortgages insured under section 203, the Commissioner may, for the purpose of this section, insure any mortgage under this section which would be eligible for insurance under section 203, except that as to mortgages so insured the maximum ratio of loan to value may, in the discretion of the Commissioner, exceed the maximum ratio of loan to value prescribed in section 203 but not to exceed in any event 95 per centum of the appraised value of the property and not to exceed \$17,100: *Provided*, That a mortgage insured under this section shall have been executed by a mortgagor who is a serviceman and who, at the time of insurance, is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment."

<sup>2</sup> Sec. 111(1), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 661, inserted "or 203(i)".

<sup>3</sup> Sec. 115(1), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 779, inserted "or 221(d)(2)".

<sup>4</sup> Sec. 105, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 381, inserted "or 234(c)".

<sup>5</sup> Sec. 113(f), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, substituted "\$33,000" for "\$30,000". The clause referring to sec. 203(i) was added by sec. 111(2), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 661.

<sup>6</sup> Sec. 302(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$45,000" for "\$33,000". Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved Oct. 12, 1977 to read "\$60,000" in lieu of "\$45,000".

<sup>7</sup> Sec. 115(2), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 779, added the balance of this paragraph.

<sup>8</sup> Sec. 310(c) of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended subsection (3). Immediately prior to this amendment, this subsection read as follows:

"(3) have a principal obligation not in excess of the sum of (i) 97 per centum of \$15,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of \$15,000 but not in excess of \$25,000, and (iii) 85 per centum of such value in excess of \$25,000; and "

<sup>9</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read as set forth in the text.



of insurance is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or in the case of the United States Coast Guard or the United States National Oceanic and Atmospheric Administration, other assignment.

(c) The Secretary may prescribe the manner in which a mortgage may be accepted for insurance under this section. Premiums fixed by the Secretary under section 203 with respect to, or payable during, the period of ownership by a serviceman of the property involved shall not be payable by the mortgagor but shall be paid not less frequently than once each year, upon request of the Secretary to the Secretary of Defense, the Secretary of Transportation, or the Secretary of Commerce, as the case may be, from the respective appropriations available for pay and allowances of persons eligible for mortgage insurance under this section. As used herein, "the period of ownership by a serviceman" means the period, for which premiums are fixed, prior to the date that the Secretary of Defense (or any officer or employee or other persons designated by him), the Secretary of Transportation (or any officer or employee or other person designated by him), or the Secretary of Commerce (or any officer or employee or other person designated by him), as the case may be, furnishes the Secretary with a certification that such ownership (as defined by the Secretary), has terminated.

(d) Any mortgagee under a mortgage insured under this section is entitled to the benefits of the insurance as provided in section 204 (a) with respect to mortgages insured under section 203.

(e) The provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k)<sup>1</sup> of section 204 shall apply to mortgages insured under this section, except that as applied to those mortgages (1) all references to the "Fund," or "Mutual Mortgage Insurance Fund," shall refer to the General Insurance Fund, and (2) all references to "section 203" shall refer to this section.

(f)<sup>2</sup> The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard or the United States National Oceanic and Atmospheric Administration, other assignment.

(g)<sup>3</sup> Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard or in the United States National Oceanic and Atmospheric Administration, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c)

<sup>1</sup> Sec. 116(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 664, inserted "(k)."

<sup>2</sup> Sec. 301, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 505, added secs. 222(f) and 222(g).

<sup>3</sup> Sec. 301, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 505, added secs. 222(f) and 222(g).



of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, or the Secretary of Commerce, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two year period.

#### MISCELLANEOUS HOUSING INSURANCE

SEC. 223. (a)<sup>1</sup> Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—

(1) executed in connection with the sale by the Government, or any agency or official thereof, of any housing acquired or constructed under Public Law 849, Seventy-sixth Congress, as amended; Public Law 781, Seventy-sixth Congress, as amended; or Public Laws 9, 73, or 353, Seventy-seventh Congress, as amended (including any property acquired, held, or constructed in connection with such housing or to serve the inhabitants thereof); or

(2) executed in connection with the sale by the Secretary of Housing and Urban Development, or by any public housing agency with the approval of the Secretary, of any housing (including any property acquired, held, or constructed in connection with such housing or to serve the inhabitants thereof) owned or financially assisted pursuant to the provisions of Public Law 671, Seventy-sixth Congress; or

(3) executed in connection with the sale by the Government, or any agency or official thereof, of any of the so-called Greenbelt towns, or parts thereof, including projects, or parts thereof, known as Greenhills, Ohio; Greenbelt, Maryland; and Greendale, Wisconsin, developed under the Emergency Relief Appropriation Act of 1935, or of any of the village properties or employee's housing under the jurisdiction of the Tennessee Valley Authority, or of any housing under the jurisdiction of the Department of the

<sup>1</sup> Sec. 223 was added by sec. 125 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 605. Sec. 125 of the 1954 Act stated that this new section was added "to transfer to title II the mortgage insurance program in connection with the sale of certain publicly owned property as contained in section 610 of title VI; the insurance of mortgages to refinance existing loans insured under section 608 of title VI and sections 903 and 908 of title IX; and to authorize the insurance under title II of mortgages assigned to the Commissioner under insurance contracts and mortgages held by the Commissioner in connection with the sale of property acquired under insurance contracts."

Sec. 223 was made applicable to sec. 213 (cooperative housing) by sec. 102(k), Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 636.

Sec. 612(h)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 182, made sec. 223 applicable to secs. 220 (urban renewal housing), 221 (relocation and low and moderate income housing), 231 (rental housing for the elderly), 232 (nursing homes), and 233 (experimental housing).

Sec. 114, Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 298, made sec. 223 applicable to sec. 222 (servicemen's housing).

Sec. 312, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 510 made sec. 223 applicable to any FHA insured mortgage.

Interior located within the town area of Coulee Dam,<sup>1</sup> Washington, acquired by the United States for the construction, operation, and maintenance of Grand Coulee Dam and its appurtenant works: *Provided*, That for the purpose of the applicant of this title to sales by the Secretary of the Interior pursuant to subsections 3(b) (1) and 3(b) (2) of the Coulee Dam Community Act of 1957,<sup>1</sup> the selling price of the property involved shall be deemed to be the appraised value, or of any permanent housing under the jurisdiction of the Department of the Interior constructed under the Boulder Canyon Project Act of December 21, 1928, as amended and supplemented, located within the Boulder City municipal area: *Provided*, That for purposes of the application of this title to sales by the Secretary of the Interior pursuant to subsections 3(b) (1) and 3(b) (2) of the Boulder City Act of 1958,<sup>2</sup> the selling price of the property involved shall be deemed to be the appraised value; or

(4)<sup>3</sup> executed in connection with the sale by the Government or any agency or official thereof, of any housing (including any property acquired, held, or constructed in connection therewith or to serve the inhabitants thereof) pursuant to the Atomic Energy Community Act of 1955, as amended: *Provided*, That such insurance shall be issued without regard to any preferences or priorities except those prescribed by this Act or <sup>4</sup> the Atomic Energy Community Act of 1955, as amended; or

(5) executed in connection with the sale by a State or municipality, or an agency, instrumentality, or political subdivision of either, of a project consisting of any permanent housing (including any property acquired, held, or constructed in connection therewith or to serve the inhabitants thereof), constructed by or on behalf of such State, municipality, agency, instrumentality, or political subdivision, for the occupancy of veterans of World War II, or Korean veterans, their families, and others; or

(6) executed in connection with the first resale, within two years from the date of its acquisition from the Government, of any portion of a project or property of the character described in paragraphs (1), (2), (3), and (4) above; or

(7) given to refinance an existing mortgage insured under this Act <sup>5</sup>: *Provided*, That the principal amount of any such refinancing mortgage shall not exceed the original principal amount or the unexpired term of such existing mortgage and shall bear interest at a rate not in excess of the maximum rate pre-

<sup>1</sup> Mortgages covering property at Coulee Dam inserted by sec. 4 of the Coulee Dam Community Act of 1957, Public Law 85-240, 85th Congress, approved August 30, 1957, 71 Stat. 425, 528.

<sup>2</sup> Mortgages covering property within the Boulder City municipal area inserted by sec. 12 of the Boulder City Act of 1958, Public Law 85-900, 85th Congress, approved September 2, 1958, 72 Stat. 1726, 1735.

<sup>3</sup> Par. (4) added by sec. 201 of the Atomic Energy Community Act of 1955, Public Law 221, 84th Congress, approved August 4, 1955, 69 Stat. 471, 484.

<sup>4</sup> Sec. 114 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 298, inserted "this Act or."

<sup>5</sup> Sec. 213, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 471, substituted "this Act" for "section 603 of title VI prior to the effective date of the Housing Act of 1954 or under section 220, 221, 903 or section 908."



scribed under the applicable section or title of this Act, except that in any case involving the refinancing of a loan in which the Secretary determines that the insurance of a mortgage for an additional term will inure to the benefit of the applicable insurance fund, taking into consideration the outstanding insurance liability under the existing insured mortgage, such refinancing mortgage may have a term not more than twelve years in excess of the unexpired term of such existing insured mortgage: *Provided further*, That a mortgage of the character described in paragraphs (1) through (6) of this subsection shall have a maturity, a principal obligation, and an interest rate not in excess of the maximums prescribed under the applicable section or title of this Act, except that in no case may the principal obligation of a mortgage referred to in paragraph (5) of this subsection exceed 90 per centum of the appraised value of the mortgaged property; or

(8)<sup>1</sup> executed in connection with the sale by the Government of any housing acquired pursuant to section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966.

(b)<sup>2</sup> Notwithstanding any of the provisions of this title and without regard to limitations upon eligibility contained in section 221, the Secretary may in his discretion insure under section 221(d)(3) any mortgage executed by a mortgagor of the character described therein where such mortgage is given to refinance a mortgage covering an existing property or project (other than a one- to four-family structure) located in an urban renewal area, if the Secretary finds that such insurance will facilitate the occupancy of dwelling units in the property or project by families of low or moderate income or families displaced from an urban renewal area or displaced as a result of governmental action.

(c)<sup>3</sup> The Secretary shall also have authority to insure under this Act any mortgage assigned to him in connection with payment under a contract of mortgage insurance or executed in connection with the sale by him of any property acquired under any section or title of this Act without regard to any limitations or requirements contained in this Act upon the eligibility of the mortgage, upon the payment of insurance premiums, or upon the terms and conditions of insurance settlement and the benefits of the insurance to be included in such settlement.

(d)<sup>4</sup> With respect to any mortgage, other than a mortgage covering a one- to four-family structure, heretofore or hereafter insured by the

<sup>1</sup> Sec. 1013(h), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1292, substituted this paragraph for "(8) executed in connection with the sale by the Commissioner of any housing acquired pursuant to section 108 of the Housing and Urban Development Act of 1965." This paragraph was originally added by sec. 108(e), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 461.

<sup>2</sup> Added by sec. 101(d), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 154.

<sup>3</sup> Sec. 101(d), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 154, changed the designation of this subsection from (b) to (c).

Sec. 116, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 779, amended this subsection to permit the Secretary to insure mortgages financing the purchase of FHA-acquired property without regard to any limitations or requirements otherwise applicable to the insurance or payment of insurance benefits except that benefits must be paid in debentures. Prior to this amendment the Secretary could disregard only those requirements relating to the eligibility of a mortgage.

Sec. 312 (5), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 510, deleted "(except that in any case the payment of insurance shall be in debentures)" at the end of this subsection.

<sup>4</sup> Added by Sec. 612(h)(3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 182.



Secretary, and notwithstanding any other provision of this Act, when the taxes, interest on the mortgage debt, mortgage insurance premiums, hazard insurance premiums, and the expense of maintenance and operation of the project covered by such mortgage during the first two years following the date of completion of the project, as determined by the Secretary, exceed the project income, the Secretary may, in his discretion and upon such terms and conditions as he may prescribe<sup>1</sup> insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage.

A<sup>2</sup> loan involving a project covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be the obligation of such fund, and loans involving projects covered by a mortgage insured under section 236 or under any section of this title pursuant to subsection (e) of this section shall be the obligation of the Special Risk Insurance Fund.

(e)<sup>3</sup> Notwithstanding any of the provisions of this Act except section 212, and without regard to limitations upon eligibility contained in any section of this title or title XI, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title or title XI a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section or title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing or group practice facilities for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance

<sup>1</sup> Sec. 313(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 510, amended subsection (d) to authorize insurance of a separate loan covering operating losses under a multifamily mortgage during the first 2 years. Instead of adding such excess to the amount of the original mortgage itself, as previously provided.

<sup>2</sup> Sec. 418(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 402, inserted this section.

<sup>3</sup> Sec. 103(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 486, added subsection (e) and Sec. 418(d), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 402, amended subsection (e) to provide for insurance under the Special Risk Insurance Fund of mortgages covering group practice facilities in older, declining urban areas.

of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund.

(f) Notwithstanding any of the provisions of this Act, the Secretary is authorized, in his discretion, to insure under any section of this title a mortgage executed in connection with the purchase or refinancing of an existing multifamily housing project or the refinancing of existing debt of an existing hospital.<sup>1</sup> In the case of refinancing under this subsection of multifamily housing project<sup>2</sup> located in an older, declining urban area, the Secretary shall prescribe such terms and conditions as he deems necessary to assure that—

(1) the refinancing is used to lower the monthly debt service only to the extent necessary to assure the continued economic viability of the project, taking into account any rent reductions to be implemented by the mortgagor; and

(2) during the mortgage term no rental increases shall be made except those which are necessary to offset actual and reasonable operating expense increases or other necessary expense increases approved by the Secretary.

In the case of refinancing of an existing hospital the Secretary shall prescribe such terms and conditions as the Secretary deems necessary to assure that—

(A) the refinancing is employed to lower the monthly debt service costs (taking into account any fees or charges connected with such refinancing) of such existing hospital;

(B) the proceeds of any refinancing will be employed only to retire the existing indebtedness and pay the necessary cost of refinancing on such existing hospital;

(C) such existing hospital is economically viable; and

(D) such existing hospital has received such certifications from a State agency designated in accordance with section 604(a)(1) or section 1521 of the Public Health Service Act for the State in which the hospital is located as the Secretary deems necessary and appropriate and comparable to the certification required for hospitals insured under section 242 of this Act and that such State agency additionally certify that the services being provided by such existing hospital at the time of refinancing are appropriate as determined pursuant to section 1523(a)(6) of the Public Health Service Act.<sup>3</sup>

(g) Notwithstanding any other provisions of this Act, the Secretary may, in his discretion, insure a mortgage covering a multifamily housing project including units which are not self-contained.<sup>4</sup>

#### DEBENTURE INTEREST RATE

SEC. 224.<sup>5</sup> Notwithstanding any other provisions of this Act, debentures issued under any section of this Act with respect to a loan or

<sup>1</sup> Amended of Sec. 326, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> Sec. 311(a) of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974; amended Sec. 223 of the National Housing Act by adding new sections (f) and (g).

<sup>5</sup> Sec. 224 was added by sec. 126 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 606, but sec. 612(i), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 182, amended the first sentence to read as set forth in the text. Immediately prior to amendment by sec. 612(i), Housing Act of 1961, the first sentence read as follows:

"Notwithstanding any other provisions of this Act, debentures issued under any section of this Act with respect to a mortgage accepted for insurance on or after thirty days following the effective date of the Housing Act of 1954 (except debentures issued pursuant to paragraph (8) of section 221(g) hereof) shall bear interest at the rate in effect at the time the mortgage is insured."



mortgage accepted for insurance on or after thirty days following the effective date of the Housing Act of 1954 (except debentures issued pursuant to paragraph (4) of section 221(g)) shall bear interest at the rate in effect on the date the commitment to insure the loan or mortgage was issued, or the date the loan or mortgage was endorsed for insurance, or (when there are two or more insurance endorsements) the date the loan or mortgage was initially endorsed for insurance, whichever rate is the highest, except that debentures issued pursuant to section 220(f), section 220(h)(7), section 221(g), section 233, or section 238<sup>1</sup> may, at the discretion of the Secretary, bear interest at the rate in effect on the date they are issued.

The Secretary shall from time to time, with the approval of the Secretary of the Treasury, establish such interest rate in an amount not in excess of the annual rate of interest determined by the Secretary of the Treasury, at the request of the Secretary, by estimating the average yield to maturity, on the basis of daily closing market bid quotations or prices during the calendar month next preceding the establishment of such rate of interest, on all outstanding marketable obligations of the United States having a maturity date of fifteen years or more from the first day of such next preceding month, and by adjusting such estimated average annual yield to the nearest one-eighth of 1 per centum.

#### OPEN-END MORTGAGES

SEC. 225.<sup>2</sup> Notwithstanding any other provisions of this Act, in connection with any mortgage insured pursuant to any section of this Act which covers a property upon which there is located a dwelling designed principally for residential use for not more than four families in the aggregate, the Secretary is authorized upon such terms and conditions as he may prescribe, to insure under said section the amount of any advance for the improvement or repair of such property made to the mortgagor pursuant to an "open-end" provision in the mortgage, and to add the amount of such advance to the original principal obligation in determining the value of the mortgage for the purpose of computing the amounts of debentures and certificate of claim to which the mortgagee may be entitled: *Provided*, That the Secretary may require the payment of such charges, including charges in lieu of insurance premiums, as he may consider appropriate for the insurance of such "open-end" advances: *Provided further*, That only advances for such improvements or repairs as substantially protect or improve the basic livability or utility of the property involved shall be eligible for insurance under this section: *Provided further*, That no such advance shall be insured under this section if the amount thereof plus the amount of the unpaid balance of the original principal obligation of the mortgage would exceed the amount of such original principal obligation unless the mortgagor certifies that the proceeds of such advance will be used to finance the construction of additional rooms or other enclosed space as a part of the dwelling: *And provided further*, That the insurance of "open-end" advances shall not be taken into account in determining the aggregate amount of principal obligations of mortgages which may be insured under this Act.

<sup>1</sup> Sec. 104(b). Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 488, inserted "section 238".

<sup>2</sup> Sec. 225 was added by sec. 126 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 607.



## APPRAISAL AVAILABLE TO HOME BUYERS

SEC. 226.<sup>1</sup> The Secretary is hereby authorized and directed to require that, in connection with any property upon which there is located a dwelling designed principally for a single-family residence or a two-family residence and which is approved for mortgage insurance under section 203, 213 with respect to any property or project of a corporation or trust of the character described in paragraph numbered (2) of subsection (a) thereof, 220, 221, 222, 233,<sup>2</sup> 234,<sup>3</sup> 235(i),<sup>4</sup> 237,<sup>4</sup> or 903, of this Act, the seller or builder or such other person as may be designated by the Secretary shall agree to deliver, prior to the sale of the property, to the person purchasing such dwelling for his own occupancy, a written statement setting forth the amount of the appraised value of the property as determined by the Secretary. This section shall not apply in any case where the mortgage involved was insured or the commitment for such insurance was issued prior to the effective date of the Housing Act of 1954. Notwithstanding<sup>5</sup> the first sentence of this section, the Secretary is authorized to require, in connection with any mortgage where the mortgage amount is computed on the basis of the Secretary's estimate of the replacement cost of the property, or on the basis of any other estimates of the Secretary, that a written statement setting forth such estimate or estimates, as the cases may be, be furnished under this section in lieu of a written statement setting forth the amount of the appraised value of the property.

## BUILDER'S COST CERTIFICATION

SEC. 227.<sup>6</sup> Notwithstanding any other provision of this Act, no mortgage covering new or rehabilitated multifamily housing or a property or project described in title XI shall be insured under this Act unless the mortgagor has agreed<sup>7</sup> (a) to certify, upon completion of the physical improvements on the mortgaged property or project and prior to final endorsement of the mortgage, either (i) that the approved percentage of actual cost (as those terms are herein-

<sup>1</sup> Sec. 226 was added by sec. 126 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 607.

<sup>2</sup> Sec. 233 (experimental housing mortgage insurance) added by sec. 103, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 158.

<sup>3</sup> Sec. 234 (mortgage insurance for individually owned units in multifamily structures) added by sec. 104, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 160.

<sup>4</sup> Sec. 235 (interest payment program for homeownership), and sec. 237 (mortgage insurance for low income families with irregular credit histories and income patterns) were inserted by sec. 102(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 486.

<sup>5</sup> This sentence added by sec. 115 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 298 and amended by sec. 612(j)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 182, to include estimates other than the estimate of the replacement cost of the property.

<sup>6</sup> Sec. 227 was added by sec. 126 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 607. Sec. 502(b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1277, inserted in the first sentence following "multifamily housing" the words "or a property or project described in title XI", thus requiring cost certification in the case of group practice facilities financed under the program authorizing mortgage insurance for such facilities.

<sup>7</sup> See also sec. 814 of the Housing Act of 1954, which provides that no mortgage covering new or rehabilitated multifamily housing as defined in sec. 227 of the National Housing Act shall be insured unless the mortgagor certifies that he will keep such records as are prescribed by FHA and that they will be kept in such form as to permit a speedy and effective audit.

defined) equaled or exceeded the proceeds of the mortgage loan or (ii) the amount by which the proceeds of the mortgage loan exceeded such approved percentage of actual cost, as the case may be, and (b) to pay forthwith to the mortgagee, for application to the reduction of the principal obligation of such mortgage, the amount, if any, certified to be in excess of such approved percentage of actual cost. Upon the Secretary's approval of the mortgagor's certification as required hereunder, such certification shall be final and incontestable, except for fraud or material misrepresentation on the part of the mortgagor. As used in this section—

(a) The term "new or rehabilitated multifamily housing" means a project or property approved for mortgage insurance prior to the construction or the repair and rehabilitation involved and covered by a mortgage insured or to be insured (i) under section 207, (ii) under section 213 with respect to any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) thereof or with respect to any property or project of a mortgagor of the character described in paragraph (3) of subsection (a) thereof, (iii) under section 220 if the mortgage meets the requirements of paragraph (3)(B) of subsection (d) thereof, (iv)<sup>1</sup> under section 221 if the mortgage meets the requirements of paragraph (3) or paragraph (4) of subsection (d) thereof, (v) under section 231, (vi)<sup>2</sup> under section 233 if the mortgage meets the requirements of subsection (b), (vii) under section 810 if the mortgage meets the requirements of subsection (f), (viii)<sup>3</sup> under section 234(d), or (ix) under section 236<sup>4</sup>;

(b) The term "approved percentage" means the percentage figure which, under applicable provisions of this Act, the Secretary is authorized to apply to his estimate of value, cost,<sup>5</sup> or replacement cost, as the case may be, of the property or project in determining the maximum insurable mortgage amount;<sup>6</sup> except that if the mortgage is to assist the financing of repair or rehabilitation and no part of the proceeds will be used to finance the purchase of the land or structure involved, the approved percentage shall be 100 per centum; and

(c) The term "actual cost" has the following meaning: (i) in case the mortgage is to assist the financing of new construction, the term means the actual cost to the mortgagor of such construction, including amounts paid for labor, materials, construction contracts, off-site public utilities, streets, organizational and legal expenses, such allocations of general overhead items as are acceptable to the Secretary, and

<sup>1</sup> Immediately prior to amendment by sec. 112(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 661, clauses (iv), (v), and (vi) read as follows:

"(iv) under section 221 if the mortgage meets the requirements of paragraph (3) of subsection (d) thereof, (v) under section 803, or (vi) under sections 903 and 908".

<sup>2</sup> Immediately prior to amendment by sec. 612(k)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 183, clause (vi) read as follows: "or (vi) under section 810 if the mortgage meets the requirements of subsection (f)";

<sup>3</sup> Sec. 119(c), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 782 inserted "or (viii) under section 234(d)".

<sup>4</sup> Sec. 201(b)(2), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, inserted "(ix) under section 236".

<sup>5</sup> Sec. 612(k)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 183, inserted "cost".

<sup>6</sup> This clause added by sec. 109, Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1095.



other items of expense approved by the Secretary, plus (1) a reasonable allowance for builder's profit if the mortgagor is also the builder as defined by the Secretary, and (2) an amount equal to the Secretary's estimate of the fair market value of any land (prior to the construction of the improvements built as a part of the project) in the property or project owned by the mortgagor in fee (or, in case the land in the property or project is held by the mortgagor under a leasehold or other interest less than a fee, such amount as the mortgagor paid for the acquisition of such leasehold or other interest but, in no event, in excess of the fair market value of such leasehold or other interest exclusive of the proposed improvements), but excluding the amount of any kickbacks, rebates, or trade discounts received in connection with the construction of the improvements, or (ii) in case the mortgage is to assist the financing of repair or rehabilitation, the term means the actual cost to the mortgagor of such repair or rehabilitation, including the amounts paid for labor, materials, construction contracts, off-site public utilities, streets, organization and legal expenses, such allocations of general overhead items as are acceptable to the Secretary, and other items of expense approved by the Secretary, plus (1) a reasonable allowance for builder's profit if the mortgagor is also the builder as defined by the Secretary, and (2) an additional amount equal to (A) in case the land and improvements are to be acquired by the mortgagor and the purchase price thereof is to be financed with part of the proceeds of the mortgage, the purchase price of such land and improvements prior to such repair or rehabilitation, or (B) in case the land and improvements are owned by the mortgagor subject to an outstanding indebtedness to be refinanced with part of the proceeds of the mortgage, the amount of such outstanding indebtedness secured by such land and improvements, but excluding (for the purpose of this clause (ii)) the amount of any kickbacks, rebates, or trade discounts received in connection with the construction of the improvements: *Provided*, That such additional amount under (A) of this clause (ii) shall in no event exceed the Secretary's estimate of the fair market value of such land and improvements prior to such repair or rehabilitation, and such additional amount under (B) of this clause (ii) shall in no event exceed the approved percentage of the Secretary's estimate of the fair market value of such land and improvements prior to such repair or rehabilitation. In the case of a mortgage insured under section 220, section 221 (d) (3),<sup>1</sup> section 221(d) (4), section 231, section 233, or section 236<sup>2</sup> where the mortgagor is also the builder as defined by the Secretary, there shall be included in the actual cost, in lieu of the allowance for builder's profit under clause (i) or (ii) of the preceding sentence, an allowance for builder's and sponsor's profit and risk of 10 per centum (unless the Secretary, after finding that such allowance is unreasonable, shall by regulation prescribe a lesser percentage) of all other items entering into the term "actual cost" except land or amounts paid for a leasehold and amounts included under either (A) or (B) of clause (ii) of the preceding sentence. In the case of a mortgage

<sup>1</sup> Sec. 612(k) (3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 183, amended this sentence to include mortgages insured under secs. 221(d) (3) and 233(b) (2) in addition to mortgages insured under secs. 220, 221(d) (4), and 231.

<sup>2</sup> Sec. 201(b) (3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, added "section 236".



insured under section 220, section 221(d)(3),<sup>1</sup> section 221(d)(4), section 231, or section 233, or section 236,<sup>2</sup> where the mortgagor is not also the builder as defined by the Secretary, there shall be included in the actual cost an allowance for sponsor's profit and risk of the said 10 per centum or lesser percentage of all other items entering into the term "actual cost" except land or amounts paid for a leasehold, amounts included under either (A) or (B) of the said clause (ii), and amounts paid by the mortgagor under a general construction contract.

SEC. 228. Repealed.<sup>3</sup>

#### VOLUNTARY TERMINATION OF INSURANCE

SEC. 229.<sup>4</sup> Notwithstanding any other provision of this Act and with respect to any loan or mortgage heretofore or hereafter insured under this Act, except under section 2, the Secretary is authorized to terminate any insurance contract upon request by the borrower or mortgagor and the financial institution or mortgagee and upon payment of such termination charge as the Secretary determines to be equitable, taking into consideration the necessity of protecting the various insurance Funds. Upon such termination, borrowers and mortgagors and financial institutions and mortgagees shall be entitled to the rights, if any, to which they would be entitled under this Act if the insurance contract were terminated by payment in full of the insured loan or mortgage.

#### ACQUISITION OF MORTGAGES TO AVOID FORECLOSURE

SEC. 230.<sup>5</sup> Upon receiving notice of the default of any mortgage covering a one-, two-, three-, or four-family residence heretofore or hereafter insured under this Act, the Secretary, in his discretion and for the purpose of avoiding foreclosure of the mortgage, and notwithstanding the fact that he has previously approved a request of the mortgagee for an extension of the time for curing the default and of the time for commencing foreclosure proceedings or for otherwise acquiring title to the mortgaged property, or has approved a modification of the mortgage for the purpose of changing the amortization provisions by recasting the unpaid balance, may acquire the loan and secu-

<sup>1</sup> Sec. 612(k)(3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 183, amended this sentence to include mortgages insured under secs. 221(d)(3) and 233(b)(2) in addition to mortgages insured under secs. 220, 221(d)(4), and 231.

<sup>2</sup> Sec. 201(b)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, inserted "section 236".

<sup>3</sup> Repealed by sec. 12(c), Public Law 94, 84th Congress, approved June 28, 1955, 69 Stat. 172, 182.

<sup>4</sup> Immediately prior to amendment by sec. 612(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 183, section 229 read as follows:

"Sec. 229. Notwithstanding any other provision of this Act and with respect to any mortgage covering a one-, two-, three-, or four-family residence heretofore or hereafter insured under this Act, the Commissioner is authorized to terminate any mortgage insurance contract upon request by the mortgagor and mortgagee and upon payment of such termination charge as the Commissioner determines to be equitable, taking into consideration the necessity of protecting the various insurance funds. Upon such termination mortgagors and mortgagees shall be entitled to the rights, if any, to which they would be entitled under this Act if the insurance contract were terminated by payment in full of the insured mortgage."

<sup>5</sup> Sec. 114(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 662, added sec. 230.

Sec. 104(b), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 79, 769, 770, amended the first sentence of sec. 230 to make it clear that the Secretary can accept assignment of a mortgage in default even though the lender had previously granted forbearance relief to the mortgagor. In addition, the payment of insurance benefits to the lender in such cases may include not only the unpaid interest on the mortgage but also such costs and attorneys' fees as are properly incurred by the lender in making the assignment.

rity therefor upon payment of the insurance benefits in an amount equal to the unpaid principal balance of the loan plus any unpaid mortgage interest plus reimbursement for such costs and attorney's fees as the Secretary finds were properly incurred in connection with the defaulted mortgage and its assignment to the Secretary, and for any proper advances theretofore made by the mortgagee under the provisions of the mortgage. After the acquisition of such mortgage by the Secretary, the mortgagee shall have no further rights, liabilities, or obligations with respect thereto. The provisions of section 204 relating to the issuance of debentures incident to the acquisition of foreclosed properties shall apply with respect to debentures issued under this subsection, and the provisions of section 204 relating to the rights, liabilities, and obligations of a mortgagee shall apply with respect to the Secretary when he has acquired an insured mortgage under this section, in accordance with and subject to regulations (modifying such provisions to the extent necessary to render their application for such purpose appropriate and effective) which shall be prescribed by the Secretary.

#### HOUSING FOR ELDERLY PERSONS

SEC. 231.<sup>1</sup> (a) The purpose of this section is to assist in relieving the shortage of housing for elderly persons and to increase the supply of rental housing for elderly persons.

For the purposes of this section—

(1) the term "housing" means eight or more new or rehabilitated living units, not less than 50 per centum of which are specially designated for the use and occupancy of elderly persons;

(2) the term "elderly person" means any person, married or single, who is sixty-two years of age or over; and

(3) the terms "mortgage," "mortgagee," "mortgagor," and "maturity date" shall have the meanings respectively set forth in section 207 of this Act.

(b) The Secretary is authorized to insure any mortgage (including advances on mortgages during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgages prior to the date of their execution or disbursement thereon.

(c) To be eligible for insurance under this section, a mortgage to provide housing for elderly persons shall—

(1)<sup>2</sup>

(2)<sup>3</sup> not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land im-

<sup>1</sup> Sec. 201(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 665, added sec. 231.

See also provisions for rent supplements, sec. 101(j), Housing and Urban Development Act of 1965, and interest reduction payments for rental housing.

<sup>2</sup> Sec. 304(f) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck para. (1) of section 231(c) of the National Housing Act, but did not renumber the following paragraphs.

<sup>3</sup> Sec. 107(e), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 776, deleted the previous per room limits in this par. (c) (2) on the amount of a mortgage and substituted dollar amount limitations based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit.

Sec. 113(g), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased by ten percent as shown in the text the dollar limits in this par. (c) (2).



provement as defined by the Secretary), \$18,450<sup>1</sup> per family unit without a bedroom, \$20,625<sup>1</sup> per family unit with one bedroom, \$24,630<sup>1</sup> per family unit with two bedrooms, \$29,640<sup>1</sup> per family unit with three bedrooms, and \$34,846<sup>1</sup> per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$20,962<sup>2</sup> per family unit without a bedroom, \$24,030<sup>2</sup> per family unit with one bedroom, \$29,220<sup>2</sup> per family unit with two bedrooms, \$37,800<sup>2</sup> per family unit with three bedrooms, and \$41,494<sup>2</sup> per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed 50 per centum in any geographical area<sup>3</sup> where he finds that cost levels so require;

(3) if executed by a mortgagor which is a public instrumentality or a private nonprofit corporation or association or other acceptable private nonprofit organization regulated or supervised under Federal or State laws or by political subdivisions of States, or agencies thereof, or by the Secretary under a regulatory agreement or otherwise, as to rents, charges, and methods of operation, in such form and in such manner as, in the opinion of the Secretary, will effectuate the purpose of this section, involve a principal obligation not in excess of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary): *Provided*, That in the case of properties other than new construction, the principal obligation shall not exceed the appraised value rather than the Secretary's estimate of the replacement cost;

(4) if executed by a mortgagor which is approved by the Secretary but is not a public instrumentality or a private nonprofit organization, involve a principal obligation not in excess (in the case of a property or project approved for mortgage insurance prior to the beginning of construction) of 90 per centum of the

<sup>1</sup> Sec. 303(f)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$12,300" for "\$8,800", "\$17,188" for "\$12,375", "\$20,525" for "\$14,850", "\$24,700" for "\$18,700" and "\$29,038" for "\$25,025". Sec. 8(b)(6)(A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 231(c)(2) of the National Housing Act by substituting "\$18,450" for "\$12,300", "\$20,625" for "\$17,188", "\$24,630" for "\$20,525", "\$29,630" for "\$24,700", and "\$34,846" for "\$29,038".

<sup>2</sup> Sec. 303(f)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$13,975" for "\$10,450", "\$20,025" for "\$14,850", "\$24,350" for "\$17,600", "\$31,500" for "\$22,000", and "\$34,578" for "\$25,025". Sec. 8(b)(6)(B) of the Housing Authorization Act of 1973, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, further amended section 231(c)(2) of the National Housing Act by substituting "\$20,962" for "\$13,975", "\$24,030" for "\$20,025", "\$29,220" for "\$24,350", "\$37,800" for "\$31,500", and "\$41,494" for "\$34,578".

<sup>3</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 231(c)(2) of the National Housing Act by deleting the words "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 231(c)(2) of the National Housing Act by striking "by not to exceed 75 per centum in any geographical area" and inserting in lieu thereof "by not to exceed 50 per centum in any geographical area".



amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement costs may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary, and shall include an allowance for builder's and sponsor's profit and risk of 10 per centum of all of the foregoing items except the land unless the Secretary, after certification that such allowance is unreasonable, shall by regulation prescribe a lesser percentage): *Provided*, That in the case of properties other than new construction the principal obligation shall not exceed 90 per centum of the Secretary's estimate of the value of the property or project: *And provided further*, That the Secretary may in his discretion require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation, and for such purpose the Secretary may make contracts with and acquire for not to exceed \$100 such stock or interest in any such mortgagor as the Secretary may deem necessary to render effective such restrictions or regulations; such stock or interest shall be paid for out of the General Insurance Fund and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance;

(5) provide for a complete amortization by periodic payments within such terms as the Secretary shall prescribe;

(6) bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6<sup>1</sup> per centum as the Secretary finds necessary to meet the mortgage market; and

(7) cover a property or project which is approved for mortgage insurance prior to the beginning of construction or rehabilitation, with 50 per centum or more of the units therein specially designed for the use and occupancy of elderly persons in accordance with standards established by the Secretary and which may include such commercial and special facilities as the Secretary deems adequate to serve the occupants.

(d) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe, and shall prescribe such procedures as in his judgment are necessary to secure to elderly persons a preference or priority of opportunity to rent the dwellings included in such property or project.

(e) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall refer to this section.

(f) <sup>2</sup> Notwithstanding any of the provisions of this section, the housing provided under this section may include family units which

<sup>1</sup> Sec. 3(c), Public Law 90-301, approved May 7, 1968, 82 Stat. 113, 114, substituted the 6 per centum maximum for the 5¾ per centum maximum.

<sup>2</sup> Added by sec. 203(c), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 784.

are specially designed for the use and occupancy of any person or family qualifying as a handicapped family as defined in section 202 of the Housing Act of 1959, and such special facilities as the Secretary deems adequate to serve handicapped families (as so defined). The Secretary may also prescribe procedures to secure to such families preference or priority of opportunity to rent the living units specially designed for their use and occupancy.

#### MORTGAGE INSURANCE FOR NURSING HOMES

SEC. 232.<sup>1</sup> (a) The purpose of this section is to assist in the provision of facilities for either of the following purposes or for a combination of such purposes:

(1) The development of nursing homes for the care and treatment of convalescents and other persons who are not acutely ill and do not need hospital care but who require skilled nursing care and related medical services, including additional facilities for the nonresident care of elderly individuals and others who are able to live independently but who require care during the day.<sup>2</sup>

(2) The development of intermediate care facilities for the care of persons who, while not in need of nursing home care and treatment, nevertheless are unable to live fully independently and who are in need of minimum but continuous care provided by licensed or trained personnel, including additional facilities for the nonresident care of elderly individuals and others who are able to live independently but who require care during the day.<sup>3</sup>

(b) For the purposes of this section—

(1) The term “nursing home” means a proprietary facility, or facility of a private nonprofit corporation or association,<sup>4</sup> licensed or regulated by the State (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located), for the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care but who require skilled nursing care and related medical services, in which such nursing care and medical services are prescribed by, or are performed under the general direction of, persons licensed to provide such care or services in accordance with the laws of the State where the facility is located;

(2) the term “intermediate care facility” means a proprietary facility or facility of a private nonprofit corporation or association licensed or regulated by the State (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located) for the accommodation of persons who, because of incapacitating infirmities, require minimum but continuous care but are not in need of continuous medical or nursing services;

<sup>1</sup> Sec. 111, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 382, amended section 232 to expand the nursing home program to cover mortgages financing new or rehabilitated intermediate care facilities or combined nursing homes and intermediate care facilities. Section 232 was originally added by sec. 115, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 663.

<sup>2</sup> Amended by Sec. 312(a) Housing and Community Development Amendments of 1978: Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>3</sup> *Id.*

<sup>4</sup> The phrase “or facility of a private nonprofit corporation or association” added by sec. 117, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 779.



(3)<sup>1</sup> "a nursing home" or "intermediate care facility" may include such additional facilities as may be authorized by the Secretary for the nonresident care of elderly individuals and others who are able to live independently but who require care during the day; and <sup>2</sup> the term "mortgage" means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof of (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term "first mortgage" means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term "mortgagor" shall have the meaning set forth in section 207(a) of this Act.

(c) The Secretary is authorized to insure any mortgage (including advances on such mortgages during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

(d)<sup>3</sup> In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home or intermediate care facility or combined nursing home and intermediate care facility including equipment to be used in its operation, subject to the following conditions:

(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed \$100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgage shall involve a principal obligation in an amount not to exceed 90<sup>4</sup> per centum of the estimated value of

<sup>1</sup> Added by sec. 312(b), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Immediately prior to amendment by sec. 314(1), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 511, subsection (b) (2) read as follows:

"(2) The terms 'mortgage' and 'mortgagor' shall have the meanings respectively set forth in section 207(a) of this Act."

<sup>3</sup> Section 314(2) of the Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 511, amended subsection (d) to permit mortgages to cover equipment to be used in the operation of the nursing home.

<sup>4</sup> Sec. 610, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, substituted "90 per centum" for "75 per centum". Sec. 304(g) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, deleted the words "not to exceed \$12,500,000, and".



the property or project, including<sup>1</sup> equipment to be used in the operation of the home or facility or combined home and facility when the proposed improvements are completed and the equipment is installed.

(3) The mortgage shall—

(A) provide for complete amortization by periodic payments within such terms as the Secretary shall prescribe; and

(B) bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum of the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market.

(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a) (1) or section 1521<sup>2</sup> of the Public Health Service Act for the State in which is located the nursing home or intermediate care facility or combined nursing home and intermediate care facility covered by the mortgage, a certification that (A) there is a need for such home or facility or combined home and facility, and (B) there are in force in such State or in the municipality or other political subdivision of the State in which the proposed home or facility or combined home and facility is to be located reasonable minimum standards of licensure and methods of operation governing it. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any home or facility or combined home and facility located in the State for which mortgage insurance is provided under this section.

(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

(f) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall refer to this section.

(g)<sup>3</sup> The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section relating to intermediate care facilities, after consulting with the Secretary of Health, Education, and Welfare with respect to any health or medical aspects of the program which may be involved in such regulations.

(h)<sup>3</sup> The Secretary shall also consult with the Secretary of Health, Education, and Welfare as to the need for and the availability of intermediate care facilities in any area for which an intermediate care facility is proposed under this section.

(i)<sup>4</sup>(1) The Secretary is authorized upon such terms and condition as he may prescribe to make commitments to insure and to insure loans

<sup>1</sup> Section 314(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512, amended subsection (d)(2) to permit the estimated value of equipment to be used in the operation of the home to be included.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, inserted "or Section 1521."

<sup>3</sup> Sec. 111, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383, added subsections (g) and (h).

<sup>4</sup> Sec. 232 of the National Housing Act amended by adding a new subsection (i) at the end thereof to provide for purchase and installation of fire safety equipment, authorized by P.L. 93-204, 87 Stat. 883, approved December 28, 1973.

made by financial institutions or other approved mortgages to nursing homes and intermediate care facilities to provide for the purchase and installation of fire safety equipment necessary for compliance with the 1967 edition of the Life Safety Code of the National Fire Protection Association or other such codes or requirements approved by the Secretary of Health, Education, and Welfare as conditions of participation for providers of services under title XVIII and title XIX of the Social Security Act.

(2) To be eligible for insurance under this subsection a loan shall—

(A) not exceed the Secretary's estimate of the reasonable cost of the equipment fully installed;

(B) bear interest at not to exceed a rate determined by the Secretary to be necessary to meet the loan market;

(C) have a maturity satisfactory to the Secretary;

(D) be made by a financial institution or other mortgagee approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

(E) comply with other such terms, conditions, and restrictions as the Secretary may prescribe.

(3) The provisions of paragraphs (5), (6), (7), (9), and (10) of section 220(h) shall be applicable to loans insured under this subsection, except that all references to "home improvement loans" shall be construed to refer to loans under this subsection.

(4) The provisions of subsections (c), (d), and (h) of section 2 shall apply to loans insured under this subsection, and for the purpose of this subsection references in such subsections to "this section" or "this title" shall be construed to refer to this subsection.

#### EXPERIMENTAL HOUSING

SEC. 233.<sup>1</sup> (a)(1) In order to assist in lowering housing costs and improving housing standards, quality, livability, or durability or neighborhood design through the utilization of advanced housing technology, or experimental property standards, the Secretary is authorized to insure and to make commitments to insure, under this section, mortgages (including home improvement loans, and including advances on mortgages during construction) secured by properties including dwellings involving the utilization and testing of advanced technology in housing design, materials, or construction, or experimental property standards for neighborhood design if the Secretary determines that (A) the property is an acceptable risk, giving consideration to the need for testing advanced housing technology or experimental property standards, (B) the utilization and testing of the advanced technology or experimental property standards involved will provide data or experience which the Secretary deems to be significant in reducing housing costs or improving housing standards, quality, livability, or durability, or improving neighborhood design, and (C) the mortgages are eligible for insurance under the provisions of this section and under any further terms and conditions which may be prescribed by the Secretary to establish the acceptability of the mortgages for insurance.

<sup>1</sup> Sec. 103, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 158, added sec. 233.

Sec. 118, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 779, 780, amended several provisions of sec. 233 to make insurance available under the experimental housing program for mortgages or improvement loans meeting the requirements of any of the other FHA title II programs. Prior to this amendment a mortgage could not be insured under the experimental housing program unless it met the requirements of sec. 203(b) or sec. 207.



(2)<sup>1</sup> The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.

(b) To be eligible for insurance under this section, a mortgage shall meet the requirements of one of the other sections or titles<sup>2</sup> of this Act; except that, in lieu of determining the appraised value or the replacement cost of the property in cases involving new construction or the estimated cost of repair and rehabilitation or improvement in cases involving existing properties, the Secretary shall estimate the cost of replacing the property using comparable conventional design, materials, and construction, and any limitation upon the maximum mortgage amount available to a nonoccupant owner shall not, in the discretion of the Secretary, be applicable to mortgages insured under this section.

(c) The Secretary may enter into such contracts, agreements, and financial undertakings with the mortgagor and others as he deems necessary or desirable to carry out the purposes of this section, and may expend available funds for such purposes, including the correction (when he determines it necessary to protect the occupants), at any time subsequent to insurance of a mortgage, of defects or failures in the dwellings which the Secretary finds are caused by or related to the advanced housing technology utilized in their design or construction or experimental property standards. Any<sup>3</sup> authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements, of such other section (except as specified in subsection (b), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section.

(d) The Secretary may make such investigations and analyses of data, and publish and distribute such reports, as he determines to be necessary or desirable to assure the most beneficial use of the data and information to be acquired as a result of this section.

(e) Any mortgagee or lender under a mortgage insured under subsection (b) shall be entitled to insurance benefits determined in the same manner as such benefits would be determined if such mortgage or loan were insured under the section or title<sup>4</sup> of this Act for which it otherwise would have been eligible except for the experimental feature of the property involved.

(f) Notwithstanding the provisions of subsection (e) of this section, in the case of default on any mortgage insured under this section,

<sup>1</sup> Sec. 108(f), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 496, added this subparagraph (2).

<sup>2</sup> Sec. 309, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509, substituted the phrase "or titles of this Act" for the phrase "of this title" thus making the experimental housing program available for use in the FHA title X and XI programs, as well as those under title II.

<sup>3</sup> Section 108(f), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 496, added this sentence.

<sup>4</sup> Section 309, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509, substituted the phrase "or title, of this Act" for the phrase "of this title" thus making the experimental housing program available for use in the FHA title X and XI programs, as well as those under title II.



the Secretary in his discretion, in accordance with such regulations as he may prescribe, may make payments pursuant to such subsections in cash or in debentures (as provided in the mortgage insurance contract), or may acquire the mortgage loan and the security therefor upon payment to the mortgagee in cash or in debentures (as provided in the mortgage insurance contract) of a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary made previously by the mortgagee under the provisions of the mortgage. After the acquisition of the mortgage by the Secretary the mortgagee shall have no further rights, liabilities, or obligations with respect to the mortgage. The appropriate provisions of sections 204 and 207 relating to the issuance of debentures shall apply with respect to debentures issued under this subsection, and the appropriate provisions of sections 204 and 207 relating to the rights, liabilities, and obligations of a mortgagee shall apply with respect to the Secretary when he has acquired an insured mortgage under this subsection, in accordance with and subject to regulations (modifying such provisions to the extent necessary to render their application for such purposes appropriate and effective) which shall be prescribed by the Secretary, except that as applied to mortgages insured under this section (1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, and (2) all references in section 204 to section 203 shall be construed to refer to this section (g).<sup>1</sup>

#### MORTGAGE INSURANCE FOR CONDOMINIUMS

SEC. 234.<sup>2</sup> (a) The purpose of this section is to provide an additional means of increasing the supply of privately owned dwelling units where, under the laws of the State in which the property is located, real property title and ownership are established with respect to a one-family unit which is part of a multifamily project.

(b) The terms "mortgage," "mortgagee," mortgagor," "maturity date," and "State" shall have the meanings respectively set forth in section 201, except, that the term "mortgage" for the purpose of subsection (c) may include a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term leasehold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project where the mortgage is determined by the Secretary to be eligible for insurance

<sup>1</sup> Section 1108(n), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 504, repealed this subsection (g) under which a \$1 million Experimental Housing Insurance Fund had been established to carry out the provisions of this section.

<sup>2</sup> Sec. 104, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 160, added sec. 234.

Sec. 119, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 780, 781, 782, amended sec. 234 to provide increases in the maximum amount and maturity of mortgages financing purchases of family units in condominiums.

Prior to this amendment the eligibility requirements under sec. 234(c) read as follows:

"To be eligible for insurance pursuant to this section a mortgage shall (A) involve a principal obligation in an amount not to exceed the limits per room and per family dwelling unit provided by section 207(c) (3), and not to exceed the sum of (1) 97 per centum of \$13,500 of the amount which the Commissioner estimates will be the appraised value of the family unit including common areas and facilities as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of \$13,500 but not in excess of \$18,000, and (iii) 70 per centum of such value in excess of \$18,000, and (B) have a maturity satisfactory to the Commissioner but not to exceed, in any event, thirty years from the date of the beginning of amortization of the mortgage of three-fourths of the Commissioner's estimate of the remaining economic life of the structure, whichever is the lesser."

under this section. The term "common areas and facilities" as used in this section shall be deemed to include the land and such commercial, community, and other facilities as are approved by the Secretary.

(c) The Secretary is authorized, in his discretion and under such terms and conditions as he may prescribe (including the minimum number of family units in the project which shall be offered for sale and provisions for the protection of the consumer and the public interest), to insure any mortgage covering a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project if (1) the mortgage meets the requirements of this subsection and of section 203(b), except as that section is modified by this subsection, (2) the project is or has been covered by a mortgage insured under any section (except section 213(a) (1) and (2) of this Act), notwithstanding any requirements in any such section that the project be constructed or rehabilitated for the purpose of providing rental housing: *Provided*,<sup>1</sup> That a one-family unit in a multifamily project involving eleven or less units, or twelve or more units in the case of a multifamily project the construction of which was completed more than a year prior to the application for mortgage insurance, shall be eligible for insurance without having been covered by a project mortgage, and (3) the mortgagor is acquiring, or has acquired, a family unit covered by a mortgage insured under this subsection for his own use and occupancy and will not own more than four one-family units covered by mortgages insured under this subsection. Any project proposed to be constructed or rehabilitated after the date of enactment of the Housing Act of 1961<sup>2</sup> with the assistance of mortgage insurance under this Act, where the sale of family units is to be assisted with mortgage insurance under this subsection, shall be subject to such requirements as the Secretary may prescribe. To be eligible for insurance pursuant to this subsection, a mortgage shall (A) involve a principal obligation in an amount not to exceed \$60,000,<sup>3</sup> and not to exceed the sum of (i) 97 per centum (100 per centum if the mortgagor is a veteran as defined under section 203(b)(2) of this Act)<sup>4</sup> of \$25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance and (ii) 95 per centum of such value in excess of \$25,000,<sup>5</sup> and (B) have a maturity satisfactory to the Secretary, but not to exceed, in any event, thirty-five years from the date of the beginning of amortization of the mortgage or three-fourths of the Secretary's estimate of the remaining economic life of the project, whichever is the lesser. In

<sup>1</sup> Sec. 303(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 507, added this proviso. Amended by Sec. 13(a), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> June 30, 1961.

<sup>3</sup> Sec. 13(h)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, substituted "\$33,000" for "\$50,000". Sec. 302(e) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$45,000" for "\$33,000". Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read "\$60,000" in lieu of "\$45,000".

<sup>4</sup> The parenthetical clause was added by Sec. 313(b), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>5</sup> Sec. 310(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended part of clause (A) of sec. 234(c) of the National Housing Act. Prior to this amendment it read as follows: "and not to exceed the sum of (i) 97 per centum of \$15,000 of the amount which the Secretary estimates will be the appraised value of the family unit including common areas and facilities as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of \$15,000 but not in excess of \$25,000 and (iii) 80 per centum of such value in excess of \$25,000". Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read as set forth in the text.



determining the amount of a mortgage in the case of a nonoccupant mortgagor the reference to paragraph (2) of section 203(b) in section 203(b) (8) shall be construed to refer to the preceding sentence in this subsection. The mortgage shall contain such provisions as the Secretary determines to be necessary for the maintenance of common areas and facilities and the multifamily project. The mortgagor shall have exclusive right to the use of the one-family unit covered by the mortgage and, together with the owners of other units in the multifamily project, shall have the right to the use of the common areas and facilities serving the project and the obligation of maintaining all such common areas and facilities. The Secretary may require that the rights and obligations of the mortgagor and the owners of other dwelling units in the project shall be subject to such controls as he determines to be necessary and feasible to promote and protect individual owners, the multifamily project and its occupants. For the purposes of this subsection, the Secretary is authorized in his discretion and under such terms and conditions as he may prescribe to permit one-family units and interests in common areas and facilities in multifamily projects covered by mortgages insured under any section of this Act other than section 213(a) (1) and (2) to be released from the liens of those mortgages.

(d)<sup>1</sup> In addition to individual mortgages insured under subsection (c), the Secretary is authorized, in his discretion and under such terms and conditions as he may prescribe, to insure blanket mortgages (including advances on such mortgages during construction) which cover multifamily projects to be constructed or rehabilitated in cases where the mortgage is held by a mortgagor, approved by the Secretary, which—

(1) has certified to the Secretary, as a condition of obtaining the insurance of a blanket mortgage under this subsection, that upon completion of the multifamily project covered by such mortgage it intends to commit the ownership of the multifamily project to a plan of family unit ownership under which each family unit would be eligible for individual mortgage insurance under subsection (c) and will faithfully and diligently make and carry out all reasonable efforts to establish such plan of family unit ownership and to sell such family units to purchasers approved by the Secretary; and

(2) shall be regulated or restricted by the Secretary as to rents, charges, capital structure, rate of return, and methods of operation until the termination of all obligations of the Secretary under the insurance and during such further period of time as the Secretary shall be the owner, holder, or reinsurer of the mortgage. The Secretary may make such contracts with and acquire for not to exceed \$100 such stock or interest in such mortgagor as he may deem necessary to render effective the regulation and restriction of such mortgagor. The stock or interest acquired by the Secretary shall be paid for out of the General Insurance

<sup>1</sup> Insurance is authorized by the Housing Act of 1964 for blanket mortgages to finance the construction or rehabilitation of multifamily projects to be sold as condominiums. Prior to this amendment the construction of the condominium structure was required to be financed under one of FHA's multifamily housing programs (except the sec. 213 cooperative program was excluded).

The 1964 Act permits condominiums to consist of more than one structure and an investor-sponsor cooperative to be converted into a condominium.



Fund, and shall be redeemed by the mortgagor at par at any time upon the request of the Secretary after the termination of all obligations of the Secretary under the insurance.

(e)<sup>1</sup> To be eligible for insurance, a blanket mortgage on any multifamily project of a mortgagor of the character described in subsection (d) shall involve a principal obligation in an amount—

(1)<sup>2</sup>

(2) not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the project when the proposed physical improvements are completed;

(3) not to exceed, for such part of the project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$19,500<sup>3</sup> per family unit without a bedroom, \$21,600<sup>3</sup> per family unit with one bedroom, \$25,800<sup>3</sup> per family unit with two bedrooms, \$31,800<sup>3</sup> per family unit with three bedrooms, and \$36,000<sup>3</sup> per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$22,500<sup>4</sup> per family unit without a bedroom, \$25,200<sup>4</sup> per family unit with one bedroom, \$30,900<sup>4</sup> per family unit with two bedrooms, \$38,700<sup>4</sup> per family unit with three bedrooms, and \$43,758<sup>4</sup> per family unit with four or more bedrooms, as the case may be, to compensate for higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed 50 per centum in any geographical area<sup>5</sup> where he finds that cost levels so require; and

(4) not to exceed an amount equal to the sum of the unit mortgage amounts determined under the provisions of subsection (c) assuming the mortgagor to be the owner and occupant of each family unit.

(f) Any blanket mortgage insured under subsection (d) shall pro-

<sup>1</sup> Sec. 113(h) (2) and (3), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 384, increased by 10 percent as shown in the text the dollar limitations applicable to family units in this par. (e) (3).

<sup>2</sup> Sec. 304(h) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck para. (1) of sec. 234(e) of the National Housing Act but did not renumber following paragraphs.

<sup>3</sup> Sec. 303(g) (1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$13,000" for "\$9,900", "\$18,000" for "\$13,750", "\$21,500" for "\$16,500", "\$26,500" for "\$20,350", and "\$30,000" for "\$23,100". Sec. 8(b) (7) (A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 234(e) (3) of the National Housing Act by substituting "\$19,500" for "\$13,000", "\$21,600" for "\$18,000", "\$25,800" for "\$21,500", "\$31,800" for "\$26,500", and "\$36,000" for "\$30,000".

<sup>4</sup> Sec. 303(g) (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$15,000" for "\$11,550", "\$21,000" for "\$16,500", "\$25,750" for "\$19,800", "\$32,250" for "\$24,750", and "\$36,465" for "\$28,050". Sec. 8(b) (7) (B) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, further amended section 234(e) (3) of the National Housing Act by substituting "\$22,500" for "\$15,000", "\$25,200" for "\$21,000", "\$30,900" for "\$25,750", "\$38,700" for "\$32,250", and "\$43,758" for "\$36,465".

<sup>5</sup> Sec. 3 of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, amended sec. 234(e) (3) of the National Housing Act by deleting the words "by not to exceed 45 per centum in any geographical area" and inserting the words "by not to exceed 75 per centum in any geographical area". Sec. 8(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 234(e) (3) of the National Housing Act by striking "by not to exceed 75 per centum in any geographical area" and inserting in lieu thereof "by not to exceed 50 per centum in any geographical area".

vide for complete amortization by periodic payments within such terms as the Secretary may prescribe but not to exceed forty years from the beginning of amortization of the mortgage, and shall bear interest (exclusive of premium charges for insurance) at not to exceed  $5\frac{1}{4}$  per centum per annum on the amount of the principal obligation outstanding at any time or not to exceed such per centum per annum not in excess of 6 per centum<sup>1</sup> as the Secretary finds necessary to meet the mortgage market. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the blanket mortgage upon such terms and conditions as he may prescribe and the blanket mortgage may provide for such release. The project covered by the blanket mortgage may include four<sup>2</sup> or more family units and such commercial and community facilities as the Secretary deems adequate to serve the occupants.

(g) Any mortgagee under a mortgage insured under subsection (c) of this section is entitled to receive the benefits of the insurance as provided in section 204(a) of this Act with respect to mortgages insured under section 203, and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 shall be applicable to the mortgages insured under subsection (c) of this section, except that (1) all references in section 204 of the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, (2) all references therein to section 203 shall be construed to refer to subsection (c) of this section, and (3) the excess remaining, referred to in section 204(f) (1), shall be retained by the Secretary and credited to the General Insurance Fund.

(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under subsection (d) of this section.

(i) The provisions of sections 225 and 230 shall be applicable to the mortgages insured under subsection (c) of this section.

#### HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

SEC. 235.<sup>3</sup> (a) (1)<sup>4</sup> For the purpose of assisting lower-income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section or which mortgages are assisted under a State or local program providing assistance through loans, loan insurance or tax abatement.<sup>5</sup>

(2) (A) Notwithstanding any other provision of this section, the

<sup>1</sup> Sec. 3(c), Public Law 90-301, approved May 7, 1968, 82 Stat. 113, 114, substituted the 6 percent maximum for the  $5\frac{1}{4}$  percent maximum. See also, sec. 3(a), Public Law 90-301, immediately following the National Housing Act in this compilation, which permits the Secretary, until October 1, 1969, to set a higher interest rate.

<sup>2</sup> Section 303(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 507, substituted "four" for "five."

<sup>3</sup> Sec. 101(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 477, added sec. 235.

<sup>4</sup> Sec. 3(f) (1) (A) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 235(a) of the National Housing Act by inserting "(1)" immediately after "(a)"; sec. 3(f) (1) (B) of this Act also amended section 235 by adding new paragraphs "(2) (A) and (B)".

<sup>5</sup> Sec. 211(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 235(a) by adding at the end thereof "or which mortgages are assisted under a State or local program providing assistance through loans, loan insurance or tax abatement".

Secretary is authorized to make periodic assistance payments under this section on behalf of families whose incomes do not exceed the maximum income limits prescribed pursuant to subsection (h) (2) of this section for the purpose of assisting such families in acquiring ownership of a mobile home consisting of two or more modules and a lot on which such mobile home is or will be situated, except that periodic assistance payments pursuant to this paragraph shall not be made with respect to more than 20 per centum of the total number of units with respect to which assistance is approved under this section after January 1, 1976. Assistance payments under this section pursuant to this paragraph shall be accomplished through payments on behalf of an owner of lower income of a mobile home as described in the preceding sentence to the financial institution which makes the loan, advance of credit, or purchase of an obligation representing the loan or advance of credit to finance the purchase of the mobile home and the lot on which such mobile home is or will be situated, but only if insurance under section 2 of this Act covering such loan, advance of credit, or obligation has been granted to such institution.

(B) Notwithstanding the provisions of subsection (c) of this section, assistance payments provided pursuant to this paragraph shall be in an amount not exceeding the lesser of—

(i) the balance of the monthly payment for principal, interest, real and personal property taxes, insurance, and insurance premium chargeable under section 2 of this Act due under the loan or advance of credit remaining unpaid after applying 20 per centum of the mobile homeowner's income; or

(ii) the difference between the amount of the monthly payment for principal, interest, and insurance premium chargeable under section 2 of this Act which the mobile homeowner is obligated to pay under the loan or advance of credit and the monthly payment of principal and interest which the owner would be obligated to pay if the loan or advance of credit were to bear interest at a rate derived by subtracting from the interest rate applicable to such loan or advance of credit the interest rate differential between the maximum interest rate plus mortgage insurance premium applicable to mortgages insured under subsection (i) of this section at the time such loan or advance of credit is made and the interest rate which such mortgages are presumed under regulations prescribed by the Secretary, to bear for purposes of subsection (c) (2) of this section.

(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j) (4) <sup>1</sup> of this section: *Provided*, That a mortgage meeting the requirements of subsection (i) (3) (A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j) (4) of this

<sup>1</sup> Sec. 101(c) (4). Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 484, provided that the purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221 (h) (5) after the date of enactment of sec. 235, may be financed with a mortgage insured under the provisions of sec. 235 (j) (4), but the mortgage shall bear interest at the rate provided in sec. 235 (j) (2) (C).



section or under section 221(d)(2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

(2) the cooperative association of which the family is a member shall operate (A) a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 or section 221(d)(3)<sup>1</sup> and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided*<sup>2</sup> That if any cooperative member who has received assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary and undertakes the obligation to pay occupancy charges, the new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him; or (B)<sup>3</sup> a housing project which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section: *Provided further*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of \$32,000<sup>4</sup> (\$38,000 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$38,000 and \$44,000, respectively.<sup>4</sup>

(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided*, That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (i)<sup>5</sup> or (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, inserted "or section 221(d)(3)".

<sup>2</sup> Sec. 106(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 381, amended this proviso to make all subsequent purchasers of cooperative units in sec. 235 projects eligible for homeownership assistance, payments, if otherwise qualified. Immediately prior to this amendment, payments were authorized only for the initial two purchasers of a sec. 235 cooperative unit.

<sup>3</sup> Sec. 107, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1771, inserted clause (B).

<sup>4</sup> Sec. 211(c)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$21,600" for "\$18,000", "\$25,200" for "\$21,000", "\$25,200" for "\$21,000", and "\$28,800" for "\$24,000". Prior to enactment of Public Law 93-383, sec. 113(j), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 385, substituted "\$18,000" for "\$15,000", "\$21,000" for "\$17,500", and "\$24,000" for "\$20,000". Sec. 3(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended the last proviso section 235(b)(2) of the National Housing Act by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserted in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively. Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, substituted "\$32,000" for "\$25,000", "\$38,000" for "\$29,000", and "\$44,000" for "\$33,000".

<sup>5</sup> Sec. 106(a), Housing and Urban Development Act of 1969, Public Law 91-152 approved December 24, 1969, 83 Stat. 379, 381, amended this subsection (c) to authorize homeownership assistance payments for home purchasers, otherwise eligible for such assistance, who assume mortgages insured under section 235(i) (one and two-family dwellings and condominium units for lower-income families).

Secretary as eligible for receiving such assistance: *Provided* further,<sup>1</sup> That the Secretary is authorized to continue making such assistance payments where the mortgage has been assigned to the Secretary. The payments shall be in an amount not exceeding the lesser of—

(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (a) (2) (B),<sup>2</sup> (c), (d), or (j) (7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

(h) (1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of outstanding<sup>3</sup> contracts to make such payments shall not exceed amounts approved in appropriation Acts,<sup>4</sup> and payments pursuant to such con-

<sup>1</sup> Sec. 418(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 402, inserted this proviso.

<sup>2</sup> Sec. 3(f) (2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 235(d) of the National Housing Act by inserting immediately before "(c)" the following: "(a) (2) (B)".

<sup>3</sup> Sec. 102(a) (1), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, inserted "outstanding".

<sup>4</sup> The Supplemental Appropriation Act, 1969, Public Law 90-608, approved October 21, 1968, 82 Stat. 1190, 1193, provided "That the total payments that may be required in any fiscal year by all contracts entered into under section 235 shall not exceed \$25,000,000".

The Second Supplemental Appropriation Act, 1969, Public Law 91-47, approved July 22, 1969, 83 Stat. 49, 53, provided that the limitation "on total payments that may be required in any fiscal year by all contracts entered into under section 235 of the National Housing Act, as amended \* \* \* is increased by \$45,000,000 \* \* \*".

The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1970, Public Law 91-126, approved November 26, 1969, 83 Stat. 221, 238, increased this limitation by \$90,000,000.

The Second Supplemental Appropriation Act, 1970, Public Law 91-305, approved July 6, 1970, 84 Stat. 376, 379, increased this limitation by \$35,000,000, and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1971, Public Law 91-556, approved December 17, 1970, 84 Stat. 1442, 1458, further increased this limitation by \$130,000,000.



tracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$125,000,000<sup>1</sup> on July 1, 1969, by \$150,000,000 on July 1, 1970, by \$200,000,000 on July 1, 1971, and by such sums as may be approved in appropriation Acts after June 30, 1974, and prior to July 1, 1976.<sup>2</sup> Upon the expiration of one year following the date of enactment of the Housing and Community Development Act of 1974, the Secretary shall not enter into new contracts for assistance payments under this section utilizing authority approved in appropriation Acts prior to July 1, 1974.<sup>3</sup>

(2) Assistance payments under this section may be made only with respect to a family whose income at the time of initial occupancy does not exceed 95 per centum<sup>4</sup> of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 95 per centum<sup>4</sup> of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low median family incomes, or other factors.<sup>5</sup>

(3) Notwithstanding the provisions of subsections (b)(2) and (i)(3)(A) with respect to the prior construction or rehabilitation of a dwelling, or of the project in which there is a dwelling unit, for which assistance payments may be made, and notwithstanding the provisions of subsection (j)(1) authorizing the purchase of housing which is neither deteriorating nor substandard, not more than—

(A) 25 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1969, and

(B)<sup>6</sup> 30 per centum of the total additional amount of contracts for assistance payment authorized by appropriations Acts to be made on or after July 1, 1969.<sup>7</sup>

may be made with respect to existing dwellings, or dwelling units in existing projects.

(4) At least 10 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made after June 30, 1971, shall be available for use only with respect to

<sup>1</sup> Sec. 107(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 381, substituted "\$125,000,000 on July 1, 1969", for "\$100,000,000 on July 1, 1969," and sec. 102(a)(2), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, substituted "\$150,000,000 on July 1, 1970, and by \$200,000,000 on July 1, 1971" for "\$125,000,000 on July 1, 1970, and by \$170,000,000 on July 1, 1971".

<sup>2</sup> Sec. 211(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "by \$200,000,000 on July 1, 1971, and by such sums as may be approved in appropriation Acts after June 30, 1974, and prior to July 1, 1976".

<sup>3</sup> Sec. 211(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the last sentence of subsection (h)(1).

<sup>4</sup> Sec. 3(e) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 235(h)(2) of the National Housing Act by striking "80 per centum" wherever it appears and inserting in lieu thereof "95 per centum".

<sup>5</sup> Sec. 211(a)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a new paragraph (2).

<sup>6</sup> Immediately prior to amendment by sec. 109, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 381, only 15 per cent of the total amount of contracts authorized by appropriation acts for fiscal year 1970 and only 10 per cent of the total amount of contracts authorized by appropriation acts for fiscal year 1971 could be made with respect to existing housing.

<sup>7</sup> Sec. 105, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1771, substituted "July 1, 1972" for "July 1, 1971" and added paragraph (4). Sec. 211(a)(4) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, substituted "on or after July 1, 1969" for "prior to July 1, 1972".



dwellings, or dwelling units in projects, which are approved by the Secretary prior to substantial rehabilitation.

(i) (1) The Secretary is authorized, upon application by the mortgagee, to insure, a mortgage (including advances with respect to property construction or rehabilitation pursuant to a self-help program)<sup>1</sup> executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under this subsection, a mortgagee shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection.

(3) A mortgage to be insured under this subsection shall—

(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner<sup>2</sup> and which is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multi-family project, the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided*, that the mortgage may involve an existing dwelling or family unit in an existing condominium project which meets such standards as the Secretary may prescribe, if the mortgagor qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further*, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding \$32,000<sup>3</sup> (\$38,000<sup>3</sup> in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), ex-

<sup>1</sup> Sec. 211(a)(5) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "(including advances with respect to property construction or rehabilitation pursuant to a self-help program)".

<sup>2</sup> Sec. 106, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1771, eliminated the requirement at this point that a two-family dwelling must be purchased with the assistance of a nonprofit organization in order to be eligible for mortgage insurance under section 235.

<sup>3</sup> See footnote 1 on following page.

cept that with respect to any family with five or more persons the foregoing limits shall be \$38,000,<sup>1</sup> and \$44,000,<sup>1</sup> respectively;

(C)<sup>2</sup> involve, in the case of a dwelling unit other than a condominium or cooperative unit, a principal obligation including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$32,000<sup>1</sup> (\$38,000<sup>1</sup> in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$38,000<sup>1</sup> and \$44,000,<sup>1</sup> respectively;

(D) involve, in the case of a two-family dwelling, a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$44,000 (\$49,000 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require); and

(E)<sup>2</sup> be executed by a mortgagor who shall have paid in cash or its equivalent, on account of the property, at least an amount equal to 3 per centum of the Secretary's estimate of the cost of acquisition.

(j)(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

(A) be executed by a private nonprofit organization or public body or agency, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved

<sup>1</sup> Sec. 211(c)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$21,600" for "\$18,000", "\$25,200" for "\$21,000", "\$25,200" for "\$21,000", and "\$28,800" for "\$24,000". Prior to enactment of Public Law 93-383, sec. 113(i), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 85 Stat. 379, 385, substituted "\$18,000" for "\$15,000", "\$21,000" for "\$17,000", and "\$25,000" for "\$20,000". Sec. 3(c) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 235(i)(3)(B) of the National Housing Act by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000, respectively; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended this subsection by striking out, in subsection (i)(3)(B) "\$25,000", "\$29,000", "\$29,000", and "\$33,000" and inserting in lieu thereof "\$32,000", "\$38,000", "\$38,000", and "\$44,000", respectively; and by striking out "and" at the end of subparagraph (B).

<sup>2</sup> Housing and Community Development Act of 1977, P.L. 95-128, October 12, 1977, redesignated subparagraph (C) as subparagraph (E) and inserted new subparagraphs as set forth in the text.

by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

(D) provide for complete amortization (subject to paragraph (4) (E)) by periodic payments within such term as the Secretary may prescribe; and

(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

(4) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—

(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

(ii) bear interest at the same rate as the blanket mortgage; and

(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than \$200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to be reasonable.



(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

(5) Where the Secretary has approved a plan of family unit ownership the terms "single-family dwelling", "single-family dwellings", "individual dwelling", and "individual dwellings" shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

(6) For purposes of this subsection, the terms "single-family dwelling" and "single-family dwellings" (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(8) A mortgage covering property which is not deteriorating or substandard may be insured under this subsection only if it is situated in an area in which mortgages may be insured under section 221(h).

(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)(1).

(l) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family.

(m) <sup>1</sup> No mortgage shall be insured under this section after Octo-

<sup>1</sup> Sec. 101(d), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, added subsection (m), except that the termination date for insuring mortgages thereunder was extended from October 1, 1971, to October 1, 1972, by sec. 101(d), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, and to June 30, 1973, by sec. 1(d) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906. Sec. 1(d) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220, substituted "October 1, 1973" for "June 30, 1973"; sec. 1(d) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421, substituted "October 1, 1974" for "October 1, 1973". See 211(a)(7) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1976" for "October 1, 1974". Sec. 3(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 235(m) of the National Housing Act by striking out "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

ber 31, 1979,<sup>1</sup> except pursuant to a commitment to insure before that date.

(n)<sup>2</sup> No mortgage may be insured under this section on a unit in a subdivision, after the effective date of enactment of this subsection, which, when added to any other mortgages insured under this section in that subdivision after such date, represents more than 40 per centum of the total number of units in the subdivision, except that the preceding limitation shall not apply with regard to any rehabilitated unit, or to any unit or subdivision located or to be located in an established urban neighborhood or area, where a sound proposal is involved and where an aggregation of subsidized units is essential to a community sponsored overall redevelopment plan, as determined by the Secretary.

#### RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 236.<sup>3</sup> (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by lower income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided*,<sup>4</sup> That the Secretary is authorized to continue making such interest reduction payments where the mortgage has been assigned to the Secretary: *Provided further*, That interest reduction payments may be made with respect to a mortgage<sup>5</sup> or part thereof on a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which<sup>6</sup> may involve either new or existing construction and which is approved for receiving the benefits of this section. The<sup>7</sup> term "mortgage insurance premiums," when used in this section in relation to a project financed by a loan under a State or local program, means such fees and charges, approved by the Secretary, as are payable by the mortgagor to the State or local agency mortgagee to meet reserve requirements and administrative expenses of such agency.

(c) The interest reduction payments to a mortgagee by the Secre-

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "September 30, 1977" and substituted in lieu thereof "September 30, 1978". Amended by Housing and Community Development Amendments of 1978, Sec. 301(d), P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added this subsection.

<sup>3</sup> Sec. 201(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 498, added sec. 236.

<sup>4</sup> This first proviso inserted by sec. 418(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 402.

<sup>5</sup> Sec. 108, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 381, inserted the words "mortgage or part thereof on a".

<sup>6</sup> Sec. 118(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, substituted "which may involve either new or existing construction and which is approved for receiving the benefits of this section" for "which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section".

<sup>7</sup> This sentence added by sec. 108, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772.



tary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obliged to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

(f) (1)<sup>1</sup> For each dwelling unit there shall be established with the approval of the Secretary (A) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (B) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 25 per centum of the tenant's income.

With respect to those projects which the Secretary determines have separate utility metering for some or all dwelling units, the Secretary is authorized—

(i) to permit the basic rental charge and the fair market rental charge to be determined on the basis of operating the project without the payment of the cost of utility services used by such dwelling units; and

(ii) to permit the charging of a rental for such dwelling units at such an amount less than 25 per centum of a tenant's income as the Secretary determines represents a proportionate decrease for the utility charges to be paid by such tenant, but in no case shall such rental be lower than 20 per centum of a tenant's income.

(2) With respect to 20 per centum of the dwelling units in any project made subject to a contract under this section after the date of enactment of the Housing and Community Development Act of 1974, the Secretary shall make, and contract to make, additional assistance payments to the project owner on behalf of tenants whose incomes are too low for them to afford the basic rentals<sup>2</sup> (including the amount allowed for utilities in the case of a project with separate utility metering) with 25 per centum of their income. The additional assist-

<sup>1</sup> Sec. 212(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted (1) after (f) and redesignated clauses (1) and (2) as (A) and (B) respectively. Sec. 212(2) of such Act also amended Sec. 236.

<sup>2</sup> Sec. 4(b)(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 236(f)(2) of the National Housing Act by inserting the words "(including the amount allowed for utilities in the case of a project with separate utility metering)" and striking the following words "or such lower per centum as may be established pursuant to the provisions of clause (ii) of the last sentence of paragraph (1)", and inserting in lieu thereof a "period".



ance payments authorized by this paragraph with respect to any dwelling unit shall be the amount required to reduce the rental payment<sup>1</sup> (including the amount allowed for utilities in the case of a project with separate utility metering) by the tenant to 25 per centum of the tenant's income. In no case shall such rental payment be reduced below an amount equal to utility costs attributable to the unit occupied by the tenant, unless the Secretary determines that the application of this requirement in any area would result in undue hardship because of unusually high utility costs prevailing seasonally or otherwise in such area. Notwithstanding the foregoing provisions of this paragraph, the Secretary may—

(A) reduce such 20 per centum requirements in the case of any project if he determines that such action is necessary to assure the economic viability of the project; or

(B) increase such 20 per centum requirement in the case of any project if he determines that such action is necessary and feasible in order to assure, insofar as is practicable, that there is in the project a reasonable range in the income levels of tenants, or that such action is to be taken to meet the housing needs of elderly or handicapped families.

(3) (A)<sup>2</sup> For each project there shall be established an initial operating expense level, which shall be the sum of the cost of utilities and local property taxes payable by the project owner at the time the Secretary determines the property to be fully occupied, taking into account anticipated and customary vacancy rates. For each fiscal year prior to the fiscal year 1979, the Secretary is authorized to make, and shall contract to make to the extent of the moneys in the reserve fund established under subsection (g) and to the further extent of funds authorized in appropriation Acts, an additional monthly assistance payment to the project owner up to the amount by which the sum of the cost of utilities and local property taxes exceeds the initial operating expense level. Such payment shall be used by the project owner solely to effect, and there shall be, a reduction in the basic rental charges established for the project. Any contract to make additional monthly assistance payments shall be for a one-year period and shall be adjusted periodically to provide, to the extent approved in appropriation Acts, for continuation of the payments and for an appropriate adjustment in the amount of the assistance payments.<sup>3</sup>

Any contract to make additional assistance payments may be amended periodically to provide for appropriate adjustments in the amount of the assistance payments. Additional assistance payments shall be made pursuant to this paragraph unless the Secretary finds that the increase in the cost of utilities or local property taxes is not

<sup>1</sup> Sec. 4(b)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended this section by inserting in the second sentence the words "(including the amount allowed for utilities in the case of a project with separate utility metering)" and inserting a period after "tenant's income" and striking "or such lower per centum as may be established pursuant to the provisions of clause (ii) of the last sentence of paragraph (1)".

<sup>2</sup> This section was substantially revised by Housing and Community Development Amendments of 1978, Sec. 201(1), P.L. 95-557, 92 Stat. 2080 (1978). Designation "(A)" was inserted after the "(3)"; "The" beginning the second sentence was stricken and replaced with "For each fiscal year prior to the fiscal year 1979, the", and a new section (B) was added. The provisions are to become effective on October 1, 1978.

<sup>3</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, section 206(d) of the Housing and Community Development Act of 1977 also provides that the amendments made by this section shall become effective on October 1, 1977, and shall apply to assistance payments pursuant to section 236(f)(3) of the Nat'l. Housing Act with respect only to periods commencing on or after such date.

reasonable or not comparable to cost increases affecting other rental projects in the community.

(B) The Secretary shall utilize amounts credited to the fund described in subsection (g) on or after October 1, 1978, for the sole purpose of carrying out the purposes of section 201 of the Housing and Community Development Amendments of 1978. No payments may be made from such fund unless approved in an appropriation Act. No amount may be so approved for any fiscal year beginning after September 30, 1979.

(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be credited to a reserve fund to be used by the Secretary to make additional assistance payments as provided in paragraph (3) of subsection (f).<sup>1</sup>

(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.

(i) (1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into by<sup>2</sup> the Secretary under this section. The aggregate amount of outstanding<sup>3</sup> contracts to make such payments shall not exceed amounts approved in appropriation Acts,<sup>4</sup> and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased

<sup>1</sup> Sec. 212(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted a new section (g). Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, section 206(d) of the Housing and Community Development Act of 1977 also provides that the "amendments made by this section shall become effective on October 1, 1977, and shall apply to assistance payments pursuant to section 236(f)(3) of the National Housing Act with respect only to periods commencing on or after such date." The last two sentences of section (g) were repealed by the Housing and Community Development Amendment of 1978, section 201(i), P.L. 95-557, 92 Stat. 2080 (1978); effective October 1, 1978. These sentences read as follows:

"During any period that the Secretary determines that the balance in the reserve fund is adequate to meet the estimated additional assistance payments, such excess charges shall be credited to the appropriation authorized by subsection (i) and shall be available until the end of the next fiscal year for the purpose of making assistance payments with respect to rental housing projects receiving assistance under this section. For the purpose of this subsection and paragraph (3) of subsection (f), the initial operating expense level for any project assisted under a contract entered into prior to the date of enactment of the Housing and Community Development Act of 1977 shall be established by the Secretary not later than 180 days after the date of enactment of such Act."

<sup>2</sup> Sec. 121(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1776, inserted "by the Secretary".

<sup>3</sup> Sec. 102(b)(1), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, inserted "outstanding".

<sup>4</sup> The Supplemental Appropriation Act, 1969, Public Law 90-608, approved October 21, 1968, 82 Stat. 1190, 1193, provided that the total payments that may be required in any fiscal year by all contracts entered into under sec. 236 shall not exceed \$25,000,000.

The Second Supplemental Appropriation Act, 1969, Public Law 91-47, approved July 22, 1969, 83 Stat. 49, 53, increased by \$45,000,000 the limitation on total payments that may be required in any fiscal year by all contracts entered into under sec. 236.

The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1970, Public Law 91-126, approved November 26, 1969, 83 Stat. 221, 238, increased this limitation by \$85,000,000.

The Second Supplemental Appropriation Act, 1970, Public Law 91-305, approved July 6, 1970, 84 Stat. 376, 379, increased this limitation by \$35,000,000, and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1971, Public Law 91-556, approved December 17, 1970, 84 Stat. 1442, 1458, further increased this limitation by \$135,000,000.



by \$125,000,000<sup>1</sup> on July 1, 1969, by \$150,000,000 on July 1, 1970, by \$200,000,000 on July 1, 1971, and by \$75,000,000 on July 1, 1974.<sup>1</sup>

(2) Contracts for assistance payments under this section may be entered into only with respect to tenants whose incomes do not exceed 80 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

(3) Not less than 10 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made after June 30, 1974, shall be available for use only with respect to dwellings, or dwelling units in projects, which are approved by the Secretary prior to rehabilitation.

(4) At least 20 per centum of the total amount of contracts for assistance payments authorized in appropriation Acts to be made after June 30, 1974, shall be available for use only with respect to projects which are planned in whole or in part for occupancy by elderly or handicapped families. As used in this paragraph the term "elderly families" means families which consist of two or more persons the head of which (or his spouse) is sixty-two years of age or over or is handicapped. Such term also means a single person who is sixty-two years of age or over or is handicapped. A person shall be considered handicapped if such person is determined pursuant to regulations issued by the Secretary to have an impairment which (A) is expected to be of long-continued and indefinite duration (B) substantially impedes his ability to live independently, and (C) is of such a nature that such ability could be improved by more suitable housing conditions.<sup>2</sup>

(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection.<sup>3</sup> Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

<sup>1</sup> Sec. 107(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 38, substituted "\$125,000,000 on July 1, 1969," for "\$100,000,000 on July 1, 1969," and sec. 102(b)(2), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, substituted "\$150,000,000 on July 1, 1970, and b \$200,000,000 on July 1, 1971," for "\$125,000,000 on July 1, 1970, and by \$170,000,000 on July 1, 1971". Sec. 212(4) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted "by \$200,000,000 on July 1, 1971, and by \$75,000,000 on July 1, 1974" for "and by \$200,000,000 on July 1, 1971".

<sup>2</sup> Sec. 212(5) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted new paragraphs "(2), (3) and (4)" for "(2) and (3)".

<sup>3</sup> Subsections 21(c) and 201(d), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, also provide:

"(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been [sic] finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act."

"(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided*, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit."

Section 201(e)(3), Housing and Urban Development Act of 1968, also amended sec. 101, Housing and Urban Development Act of 1965, *infra*, to permit up to 20 percent of the units in any one project to be occupied by tenants receiving rent supplement benefits under sec. 101 of the 1965 Act.



## (2) As used in this subsection—

(A) the terms “family” and “families” shall have the same meaning as in section 221;

(B) the term “elderly or handicapped families” shall have the same meaning as in section 202 of the Housing Act of 1959; and

(C) the terms “mortgage”, “mortgagee”, and “mortgagor” shall have the same meaning as in section 201.

(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d) (1) and (d) (3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes and required reserves.

## (4) A mortgage to be insured under this subsection shall—

(A) be executed by a private mortgagor eligible under subsection (d) (3) or (e) of section 221;

(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

## (5) The property or project shall—

(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further*, That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

(B) include five or more dwelling units, but <sup>1</sup> such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities; and

<sup>1</sup> Sec. 115(b) (1), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1774, inserted “, but such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities”.

(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: *Provided*, That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project.<sup>1</sup> In <sup>2</sup> any case in which it is determined in accordance with regulations of the Secretary that facilities in existence or under construction on the date of enactment of the Housing and Urban Development Act of 1970 which could appropriately be used for classroom purposes are available in any such property or project and that public schools in the community are overcrowded due in part to the attendance at such schools of residents of the property or project, such facilities may be used for such purposes to the extent permitted in such regulations (without being subject to any of the requirements of the first proviso in subparagraph (A) except the requirement that the project be predominantly residential).

(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to lower income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

(k) As used in this section the term "tenant" includes a member of a cooperative; the term "rental housing project" includes a cooperative housing project; and the terms "rental" and "rental charge" mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

(m) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family.

(n)<sup>3</sup> No mortgage shall be insured under this section after September 30, 1979<sup>3</sup> except pursuant to a commitment to insure before that date.

<sup>1</sup> Sec. 4(b) of Public Law 94-173, 89 Stat. 1027, approved December 23, 1975, deleted the words "but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons" in the proviso to subparagraph (C) of sec. 236(j) (5) of the National Housing Act.

<sup>2</sup> This sentence added by sec. 114(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1773.

<sup>3</sup> Sec. 101(e), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, added subsection (n), except that the termination date for insuring mortgages thereunder was extended from October 1, 1971, to October 1, 1972, by sec. 101(e), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, and to June 30, 1973, by sec. 1(e) of Public Law 92-503, approved October 18, 1972, 86 Stat. 908; to October 1, 1973, by sec. 1(e) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; and to October 1, 1974, by sec. 1(e) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421. Sec. 212(a) of Housing and Community Development Act of 1974, 88 Stat. 653, approved August 22, 1974, substituted "June 30, 1976" for "October 1, 1974". Sec. 4(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 236(n) of the National Housing Act by striking "June 30, 1976" and inserting in lieu thereof "September 30, 1977"; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, substituted "September 30, 1978" for "September 30, 1977". Amended further by Section 301(e) of the Housing and Community Development Amendments of 1978, P.L. 95-557, 29 Stat. 2080, approved October 31, 1978.



(o)<sup>1</sup> The Secretary is authorized to enter into agreements with any State or agency thereof under which such State or agency thereof contracts to make interest reduction payments, subject to all the terms and conditions specified in this section and in rules, regulations and procedures adopted by the Secretary under this section, with respect to all or a part of a project covered by a mortgage insured under this section. Any funds provided by a State or agency thereof for the purpose of making interest reduction payments shall be administered, disbursed and accounted for by the Secretary in accordance with the agreements entered into by the Secretary with the State or agency thereof and for such fees as shall be specified therein. Before entering into any agreements pursuant to this subsection the Secretary shall require assurances satisfactory to him that the State or agency thereof is able to provide sufficient funds for the making of interest reduction payments for the full period specified in the interest reduction contract.

(p) The Secretary is authorized to enter into contracts with State or local agencies approved by him to provide for the monitoring and supervision by such agencies of the management by private sponsors of projects assisted under this section. Such contracts shall require that such agencies promptly report to the Secretary any deficiencies in the management of such projects in order to enable the Secretary to take corrective action at the earliest practicable time.<sup>2</sup>

#### SPECIAL MORTGAGE INSURANCE ASSISTANCE

SEC. 237.<sup>3</sup> (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j) (4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

(c) To be eligible for insurance under this section, a mortgage shall—

(1) meet the requirements of section 203 (except subsection (m)), 220(d) (3) (A), 221(d) (2), 221(h) (5), 221(i), 234(c), or 235(j) (4), except as such requirements are modified by this section;

(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed \$18,000;<sup>4</sup> *Provided*, That the Secretary may increase the amount to not exceed \$21,000<sup>4</sup> in any geographical area where he finds that cost

<sup>1</sup> Sec. 121(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1776, added subsection (o) but by error this subsection was printed in the slip law as subsection (n).

<sup>2</sup> Sec. 212(7) of the Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, added this paragraph.

<sup>3</sup> Sec. 102(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 485, added sec. 237.

<sup>4</sup> Sec. 113(j), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 385, substituted "\$18,000" for "\$15,000" and "\$21,000" for "\$17,500".



levels so require: *Provided further*, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under sections 203, 220, 221, 234, or 235(j) (4), because of his credit standing, debt obligations, total annual income, or income characteristics but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

(d) The Secretary shall give preference in approving mortgage insurance applications and <sup>1</sup> in providing counseling services under this section (1) to <sup>1</sup> families which are eligible for assistance payments under section 235, and (2) to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a down payment to help them to save an amount necessary for that purpose.

(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed \$200,000,000.

(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section.

<sup>1</sup> Sec. 110, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 382, inserted "and in providing counseling services" and further amended subsection (d) to include families eligible for section 235 homeownership assistance among the applicants who are to be given a preference for mortgage insurance and counseling services.

## PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

SEC. 238.<sup>1</sup> (a) (1) Any mortgagee under a mortgage insured under section 235(i), 235(j) (4), 237, or 243 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j) (4), 237, or 243, except that all references therein to the "Mutual Mortgage Insurance Fund" shall be construed to refer to the "Special Risk Insurance Fund", and all references therein to section 203 shall be construed to refer to section 235(i), 235(j) (4), 237, or 243, as may be appropriate.

(2) Any mortgagee under a mortgage insured under section 235(j) (1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j) (1) or 236, except that all references therein to the "General Insurance Fund" shall be construed to refer to the "Special Risk Insurance Fund" and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the "fund") which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a) (2), 235, 236, 237, and 243, and the Secretary is hereby authorized to advance to the fund, at such times and in such amounts as he may determine to be necessary, a total sum of \$20,000,000<sup>2</sup> from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 233(a) (2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 233(a) (2), 235, 236, 237, and 243 or pursuant to section 223(e), cash adjustments, the principal of and

<sup>1</sup> Sec. 104(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 486, added sec. 238, except for the reference to sec. 243 which was inserted by sec. 503, Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 461, and also an additional amendment by sec. 117(d) of the Housing and Urban Development Act of 1970, noted on the next page.

<sup>2</sup> Sec. 415, Housing and Urban Development Act of 1969, Public Law 91-152 approved December 24, 1969, 83 Stat. 379, 401, increased from \$5,000,000 to \$20,000,000 the amount which the Secretary of HUD is authorized to advance from the General Insurance Fund to the Special Risk Insurance Fund.



interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a), 235, 236, 237, or 243. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or obligations of, or in bonds or other obligations guaranteed by, the United States or<sup>1</sup> any agency of the United States: *Provided*, That such moneys shall to the maximum extent feasible be invested in such bonds or other obligations the proceeds of which will be used to directly support the residential mortgage market. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

(c)(1) Notwithstanding the provisions of this or any other Act, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the construction, repair, rehabilitation, or purchase of property located near any installation of the Armed Forces of the United States in federally impacted areas in which the conditions are such that one or more of the eligibility requirements applicable to the section under which insurance is sought could not be met, if (A) the Secretary finds that the benefits to be derived from such use outweigh the risk of probable cost to the Government, and (B) the Secretary of Defense certifies that there is no intention insofar as can reasonably be foreseen to curtail substantially the personnel assigned or to be assigned to such installation. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund.

(2) The Secretary is authorized (A) to establish such premiums and other charges as may be necessary to assure that the mortgage insurance program pursuant to this subsection is made available on a basis which, in the Secretary's judgment, is designed to be actuarially sound and likely to maintain the fiscal integrity of such program, and (B) to prescribe such terms and conditions relating to insurance pursuant to this subsection as may be found by the Secretary to be necessary and appropriate, and which are to the maximum extent possible, consistent with provisions otherwise applicable to mortgage insurance and payment of insurance benefits.<sup>2</sup>

<sup>1</sup> Sec. 117(d), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, added the remainder of this sentence.

<sup>2</sup> Sec. 318, Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974 added this new subsection to sec. 238; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended this section as set forth in the text.



MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING  
MULTIFAMILY PROJECTS

SEC. 239.<sup>1</sup> (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than \$5,000 or imprisoned not more than three years, or both.

PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 240.<sup>2</sup> (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchases by homeowners of the fee simple title to property on which their homes are located.

(b) As used in this section—

(1) the term “financial institution” means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

(2) the term “homeowner” means a lessee under a long-term ground lease.

<sup>1</sup> Section 302, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 506, added sec. 239.

<sup>2</sup> Sec. 304(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 507, added sec. 240.

(c) To be eligible for insurance under this section, a loan shall—  
 (1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

(2) not exceed the cost of purchasing the fee simple title, or \$10,000 (\$30,000, if the property is located in Hawaii)<sup>1</sup> per family unit, whichever is the lesser;

(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

(4) bear interest at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references in those paragraphs to "home improvement loans" and "this subsection" shall be construed to refer to loans under this section.

#### SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

SEC. 241.<sup>2</sup> (a) With respect to a multifamily project, hospital,<sup>3</sup> or group practice facility covered by a mortgage insured under any section or title of this Act or covered by a mortgage held by the Secretary, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, "supplemental loan" means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project, hos-

<sup>1</sup> The parenthetical phrase was added by Sec. 314, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 307, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 508, added sec. 241 which authorized FHA insurance of supplemental loans to finance improvements and additions to FHA-insured multifamily projects, including nursing homes and group practice facilities and their equipment. Sec. 111, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772, amended section 241 to authorize the Secretary of HUD to insure supplemental loans in an amount found acceptable to him to finance improvements to multifamily projects and nursing homes and group practice facilities which were originally covered by mortgages insured under the National Housing Act but later covered by uninsured mortgages held by the Secretary. Prior to amendment by sec. 111 of the Housing and Urban Development Act of 1970, supra, the Secretary could insure a supplemental loan only when the multifamily project or health facility was covered by an insured mortgage.

<sup>3</sup> Sec. 5(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 241(a) of the National Housing Act by inserting the word "hospital," immediately after "multifamily project"; sec. 5(2) of this Act inserted the word "hospital" immediately after "such project"; sec. 5(3) of such Act inserted the word "hospital," immediately before "or a group practice facility" in the proviso.



pital,<sup>1</sup> or facility: *Provided*, That a loan involving a nursing home, hospital,<sup>1</sup> or a group practice facility may also be made for the purpose of financing equipment to be used in the operation of such nursing home, hospital,<sup>2</sup> or facility.

(b) To be eligible for insurance under this section, a supplemental loan shall—

(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount when added to the outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured or an amount acceptable to the Secretary;

(2) have a maturity satisfaction to the Secretary but not to exceed the remaining term of the mortgage;

(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

(4) be secured in such manner as the Secretary may require;

(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured or pursuant to which the original mortgage covering the project or facility was insured; and

(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term "mortgage" shall be construed to refer to the term "loan" as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund.

(d) Notwithstanding the foregoing, the Secretary may insure a loan for improvements or additions to a multifamily housing project, or a group practice or medical practice facility or hospital or other health facility approved by the Secretary, which is not covered by a mortgage insured under this Act, if he finds that such a loan would assist in preserving, expanding, or improving housing opportunities, or in providing protection against fire or other hazards. Such loans shall have a maturity satisfactory to the Secretary and shall meet such other conditions as the Secretary may prescribe. In no event shall such a loan be insured if it is for an amount in excess of the maximum amount which could be approved if the outstanding indebtedness, if

<sup>1</sup> Sec. 5(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 241(a) of the National Housing Act by inserting the word "hospital," immediately after "multifamily project"; sec. 5(2) of this Act inserted the word "hospital," immediately after "such project"; sec. 5(3) of such Act inserted the word "hospital," immediately before "or a group practice facility" in the proviso.

<sup>2</sup> Sec. 5(3) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 241(a) of the National Housing Act by inserting the word "hospital," immediately before the words "or facility".



any, covering the property were a mortgage insured under this Act.<sup>1</sup> At any sale under foreclosure of a mortgage on a project or facility which is not insured under this Act but which is senior to a loan assigned to the Secretary pursuant to subsection (c), the Secretary is authorized to bid, in addition to amounts authorized under section 207(k), any sum up to but not in excess of the total unpaid indebtedness secured by such senior mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses. In the event that, pursuant to subsection (c), the Secretary acquires title to, or is assigned, a loan covering a project or facility which is subject to a mortgage which is not insured under this Act, the Secretary is authorized to make payments from the General Insurance Fund on the debt secured by such mortgage, and to take such other steps as the Secretary may deem appropriate to preserve or protect the Secretary's interest in the project or facility.

(e)(1)<sup>2</sup> Notwithstanding any other provision of this section, the Secretary may insure a loan for purchasing and installing energy conserving improvements (as defined in subparagraph (2) of the last paragraph of section 2(a) of this Act), for purchasing and installing a solar energy system (as defined in subparagraph (3) of the last paragraph of section 2(a) of this Act), and for purchasing or installing (or both) individual utility meters in a multifamily housing project without regard to whether the project is covered by a mortgage under this Act.

(2) Notwithstanding the provisions of subsection (b), a loan insured under this subsection shall—

(A) not exceed an amount which the Secretary determines is necessary for the purchase and installation of individual utility meters plus an amount which the Secretary deems appropriate taking into account amounts which will be saved in operation costs over the period of repayment of the loan by reducing the energy requirements of the project as a result of the installation of energy conserving improvements or a solar energy system therein;

(B) be insured for 90 percent of any loss incurred by the person holding the note for the loan; except that, for cooperative multifamily projects receiving assistance under section 236 or financed with a below market interest rate mortgage insured under section 221(d)(3) of this Act, 100 percent of any such loss may be insured;

(C) bear an interest rate not to exceed an amount which the Secretary determines, after consulting with the Secretary of Energy, to be necessary to meet market demands;

(D) have a maturity satisfactory to the Secretary;

(E) be insured pursuant to a premium rate established on a sound actuarial basis to the extent practicable;

(F) be secured in such manner as the Secretary may require;

(G) be an acceptable risk in that energy conservation or solar energy benefits to be derived outweigh the risks of possible loss to the Federal Government; and

<sup>1</sup> Sec. 313 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new subsection (d). Amended by sec. 311 Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978, which added the last two sentences.

<sup>2</sup> Added by Sec. 247 National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

(H) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

(3) The provisions of subsection (c) shall apply to loans insured under this subsection.

(4) The Secretary shall provide that any person obligated on the note for any loan insured under this section be regulated or restricted, until the termination of all obligations of the Secretary under the insurance, by the Secretary as to rents or sales, charges, capital structure, rate of return, and methods of operations of the multifamily project to such an extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment.

#### MORTGAGE INSURANCE FOR<sup>1</sup> HOSPITALS

SEC. 242.<sup>2</sup> (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

(b) For the purposes of this section—

(1) the term “hospital” means a facility—

(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

(C)<sup>3</sup> which is a proprietary facility, or facility of a private nonprofit corporation or association, licensed or regulated by the State (or, if there is no State law providing for such licensing or regulation by the State, by the municipality or other political subdivision in which the facility is located); and

(2) the terms “mortgage” and “mortgagor” shall have the meanings respectfully set forth in section 207(a) of this Act.

(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon. No mortgage insurance premium shall be charged with respect to the amount of principal and interest guaranteed by the Department of Health, Education, and Welfare under title VII of the Public Health Service Act.<sup>4</sup>

(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or re-

<sup>1</sup> Sec. 110(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772, deleted “Nonprofit”.

<sup>2</sup> Sec. 1501, Housing and Urban Development Act of 1968, Public Law 90-488, approved August 1, 1968, 82 Stat. 476, 599, added sec. 242.

<sup>3</sup> Sec. 110(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772, amended section 242(b)(1)(C) to expand the program of mortgage insurance for nonprofit hospitals to cover mortgages financing new or rehabilitated proprietary hospitals. To be eligible for mortgage insurance the proprietary hospital must be licensed or regulated by the State or locality in which it is located.

<sup>4</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added this sentence.

habilitated hospital, including equipment to be used in its operation, subject to the following conditions:

(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed \$100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgage shall involve a principal obligation in an amount <sup>1</sup> not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

(3) The mortgage shall—

(A) provide for complete amortization by periodic payments within such terms as the Secretary shall prescribe, and

(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) or section 1521 <sup>2</sup> of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (A) there is a need for such hospital, and (B) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

<sup>1</sup> Sec. 109, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772, substituted "\$50,000,000" for "\$25,000,000". Sec. 304(1) of the Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, deleted the words "not to exceed \$50,000,000, and".

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, inserted "or section 1521".



(g) (1) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act.

(2) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed \$20,000,000.

(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section.

#### HOMEOWNERSHIP FOR MIDDLE-INCOME FAMILIES

SEC. 243.<sup>1</sup> (a) Whenever he determines such action to be necessary in furtherance of the purposes set forth in section 501 of the Emergency Home Finance Act of 1970, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of families of middle income. The assistance shall be accomplished through interest subsidy payments to the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (hereinafter referred to as "the investor") with respect to mortgages meeting the special requirements specified in this section and made after the date of enactment of the Emergency Home Finance Act of 1970.

(b) To qualify for assistance payments a middle-income family shall be a mortgagor under a mortgage which is (1) insured under subsection (j) of this section, (2) guaranteed under chapter 37 of title 38, United States Code, or (3) a conventional mortgage meeting the requirements of subsection (j) (3) of this section. In addition to the foregoing requirement, the Secretary may require that the mortgagor have an income, at the time of acquisition of the property, of not more than the median income for the area in which the property is located, as determined by the Secretary, with appropriate adjustments for smaller and larger families.

(c) The interest subsidy payments authorized by this section shall cease when (1) the mortgagor no longer occupies the property which secures the mortgage, (2) the mortgages are no longer held by the investor, or (3) the rate of interest paid by the mortgagor reaches the rate of interest specified on the mortgage.

(d) (1) Interest subsidy payments shall be on mortgages on which the mortgagor makes monthly payments towards principal and interest equal to an amount which would be required if the mortgage bore an effective interest rate of 7 per centum per annum including any dis-

<sup>1</sup> Sec. 502. Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 458, added sec. 243.

SEC. 501. Emergency Home Finance Act of 1970, supra, under Title V (Funds for Financing Middle-Income Housing) Findings and Purpose reads as follows:

"SEC. 501. The Congress finds that—

(1) periodic episodes of monetary stringency and high interest rates make it extremely difficult for families of middle income to obtain mortgage credit at rates which they can afford to pay;

(2) periods of monetary stringency and high interest rates are directly related to the Government's monetary and fiscal policies;

(3) a disproportionate share of the burden of sustaining these anti-inflationary policies of the Government falls on families of middle income who are buyers or prospective buyers of homes; and

(4) the Government has a responsibility to lessen the disproportionate burden which such families bear as a result of such policies.

It is the purpose of this title to provide, during periods of high mortgage interest rates, a source of mortgage credit for such families which is within their financial means."

counts or charges in the nature of points or otherwise (but not including premiums, if any, for mortgage insurance) or such higher rate (not to exceed the rate specified in the mortgage), which the mortgagor could pay by applying at least 20 per centum of his income towards homeownership expenses. As used in this subsection, the term "monthly homeownership expense" includes the monthly payment for principal, interest, mortgage insurance premium, insurance, and taxes due under the mortgage.

(2) In addition to the mortgages eligible for assistance under paragraph (1) of this subsection, the Secretary is authorized to make periodic assistance payments on behalf of cooperative members of middle income. Such assistance payments shall be accomplished through interest subsidy payments to the investor with respect to mortgages insured (subsequent to the effective date of this section) under section 213 which are executed by cooperatives, the membership in which is limited to middle-income families. For purposes of this paragraph—

(1) the term "mortgagor", when used in subsection (b) in the case of a mortgage covering a cooperative housing project, means a member of the cooperative;

(2) the term "acquisition of the property", when used in subsection (b), means the family's application for a dwelling unit; and

(3) in the case of a cooperative mortgagor, subsection (c) shall not apply and the interest subsidy payments shall cease when the mortgage is no longer held by the investor or the cooperative fails to limit membership to families whose incomes at the time of their application for a dwelling unit meets such requirements as are laid down by the Secretary pursuant to subsection (b).

(e) The interest subsidy payments shall be in an amount equal to the difference, as determined by the Secretary, between the total amount of interest per calendar quarter received by the investor on mortgages assisted under this section and purchased by it and the total amount of interest which the investor would have received if the yield on such mortgages was equal to the sum of (1) the average costs (expressed as an annual percentage rate) to it of all borrowed funds outstanding in the immediately preceding calendar quarter, and (2) such per centum per annum as will provide for administrative and other expenses of the investor and a reasonable economic return, as determined by the Secretary to be necessary and appropriate taking into account the purpose of this section to provide additional mortgage credit at reasonable rates of interest to middle-income families.

(f) Procedures shall be adopted by the Secretary for recertification of the mortgagor's income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of the mortgagor's payments pursuant to subsection (d).

(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

(h) (1) There are authorized to be appropriated such sums as may



be necessary to enable the Secretary to make interest subsidy payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$105,000,000 during the first year of such contracts prior to July 1, 1971, which amount shall be increased by an additional \$105,000,000 during the first year of an additional number of such contracts on July 1 of each of the years 1971 and 1972.

(2) No interest subsidy payments under this section shall be made after June 30, 1973, except pursuant to contracts entered into on or before such date.

(i) In determining the income of any family for the purposes of this section, income from all sources of each member of the family in the household shall be included, except that the Secretary shall exclude income earned by any minor person.

(j)(1) The Secretary is authorized upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection: *Provided, however*, That in the discretion of the Secretary 25 per centum of the authority conferred by this section and subject to all the terms thereof may be used for mortgages on existing housing.

(3) A mortgage to be insured under this section shall—

(i) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project, the construction of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit shall have had no previous occupant other than the mortgagor;

(ii) involve a single-family dwelling whose appraised value, as determined by the Secretary, is not in excess of \$20,000 (which amount may be increased by not more than 50 per centum in any geographical area where the Secretary authorizes an increase on the basis of a finding that the cost level so requires).

(iii) be executed by a mortgagor who shall have paid in cash or its equivalent on account of the property (A) 3 per centum of the first \$15,000 of the appraised value of the property, (B) 10 per centum of such value in excess of \$15,000 but not in excess of \$25,000, and (C) 20 per centum of such value in excess of \$25,000.

#### CO-INSURANCE

SEC. 244.<sup>1</sup> (a) In addition to providing insurance as otherwise

<sup>1</sup> Sec. 307, Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended title II of the National Housing Act by inserting this new section 244.



authorized under this Act, and notwithstanding any other provision of this Act inconsistent with this section, the Secretary, upon request of any mortgagee and for such mortgage insurance premium as he may prescribe (which premium, or other charges to be paid by the mortgagor, shall not exceed the premium, or other charges, that would otherwise be applicable), may insure and make a commitment to insure under any provision of this title any mortgage, advance, or loan otherwise eligible under such provision, pursuant to a co-insurance contract providing that the mortgagee will—

(1) assume a percentage of any loss on the insured mortgage, advance, or loan in direct proportion to the amount of the co-insurance, which co-insurance shall not be less than 10 per centum, subject to any reasonable limit or limits on the liability of the mortgagee that may be specified in the event of unusual or catastrophic losses that may be incurred by any one mortgagee; and

(2) carry out (under a delegation or otherwise and with or without compensation but subject to audit, exception, or review requirements) such credit approval, appraisal, inspection, commitment, property disposition, or other functions as the Secretary, pursuant to regulations, shall approve as consistent with the purposes of this Act.

Any contract of co-insurance under this section shall contain such provisions relating to the sharing of premiums on a sound actuarial basis, establishment of mortgage reserves, manner of calculating insurance benefits, conditions with respect to foreclosure, handling and disposition of property prior to claim or settlement, rights of assignees (which may elect not to be subject to the loss sharing provisions), and other similar matters as the Secretary may prescribe pursuant to regulations. A mortgagee which enters into a contract of co-insurance under this section shall not by reason of such contract, or its adherence to such contract or applicable regulations of the Secretary, including provisions relating to the retention of risks in the event of sale or assignment of a mortgage, be made subject to any State law regulating the business of insurance.<sup>1</sup>

(b) No insurance shall be granted pursuant to this section with respect to dwellings or projects approved for insurance prior to the beginning of construction unless the inspection of such construction is conducted in accordance with at least the minimum standards and criteria used with respect to dwellings or projects approved for mortgage insurance pursuant to other provisions of this title.

(c) No insurance shall be granted pursuant to this section unless the Secretary has, after due consultation with the mortgage lending industry, determined that the demonstration program of co-insurance authorized by this section will not disrupt the mortgage market or reduce the availability of mortgage credit borrowers who depend upon mortgage insurance provided under this Act.

(d) No mortgage, advance, or loan shall be insured pursuant to this section after September 30, 1978,<sup>2</sup> except pursuant to a commit-

<sup>1</sup> Sec. 6(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 244(a) of the National Housing Act by adding a new last sentence.

<sup>2</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977. (Public Law 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977 to July 31, 1977; Public Law 95-80, approved July 31, 1977, had further extended the date from July 31, 1977 to September 30, 1977). Further amended by Sec. 301(f) of Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

ment to insure made before that date. The aggregate principal amount of mortgages and loans insured pursuant to this section in any fiscal year beginning on or after July 1, 1974, and ending prior to October 1, 1978,<sup>1</sup> shall not exceed 20 per centum of the aggregate principal amount of all mortgages and loans insured under this title during such fiscal year. The overall percentage limitation specified in the preceding sentence shall also apply separately within each of the following categories—

(1) mortgages and loans covering one- to four-family dwellings; and

(2) mortgages and loans covering projects with five or more dwelling units.

(e) The Secretary shall not withdraw, deny, or delay insurance otherwise authorized under any other provision of this Act by reason of the availability of insurance pursuant to this section. The Secretary shall exercise his authority under this section only to the extent that he finds that the continued exercise of such authority will not adversely affect the flow of mortgage credit to older and declining neighborhoods and to the purchasers of older and lower cost housing.

(f) The Secretary shall submit to the Congress a report, not later than March 1, 1975, and annually thereafter, describing operations under this section, including the extent of mortgagee participation and any special problems encountered, particularly with respect to the flow of mortgage credit to older and declining neighborhoods and to purchasers of older and lower cost housing, and setting forth any recommendations he may deem appropriate with respect to the continuation or modification of the authority contained in this section. If the Secretary shall fail to submit any such report by the date due, his authority under this section shall terminate.

(g) (1)<sup>2</sup> Where the mortgagee is a public housing agency or an insured depository institution and the mortgage covers a multifamily housing project, the co-insurance contract may provide that the mortgagee assume (i) the full amount of any loss on the insured mortgage up to an amount equal to a fixed percentage of the outstanding principal balance of the mortgage at the time of claim for insurance benefits, or (ii) the full amount of any losses on insured mortgages in a portfolio of mortgages approved by the Secretary up to an amount equal to a fixed percentage of the outstanding principal balance of all mortgages in such portfolio at the time of claim for insurance benefits on a mortgage in the portfolio, plus a share of any loss in excess of the amount under clause (i) or (ii), whichever is applicable.

(2) The second sentence of subsection (d) shall not apply to mortgages made to public housing agencies, but for purposes of such second sentence such mortgages shall not be counted in the aggregate principal amount of all mortgages insured under this title.

(3) The Secretary may make loans, from the applicable insurance fund, to public housing agencies in connection with mortgages which have been insured pursuant to this subsection and which are in default.

(4) The Secretary may insure and make a commitment to insure in connection with a co-insurance contract pursuant to this subsection

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, substituted "October 1, 1978 in lieu of "October 1, 1977. Further amended by Section 301(f) of Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 6(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 244 of the National Housing Act by adding a new subsection "(g)", at the end thereof.



(A) a mortgage on a project assisted under the second proviso in the first sentence of section 236(b) of this Act, and (B) a mortgage or advance on a mortgage made to a public housing agency on a project under construction which is not approved for insurance prior to construction.

(5) As used in this subsection, the term "public housing agency" has the same meaning as in section 3(6) of the United States Housing Act of 1937, and the term "insured depository institution" means any savings bank, savings and loan association, commercial bank or other such depository institution whose deposits are insured by the Federal Deposit Insurance Corporation, by the Federal Savings and Loan Insurance Corporation, or by an agency or instrumentality of a State.

(6) Notwithstanding any other provision of this Act, the Secretary may include in the determination of replacement cost of a project to be covered by a mortgage made to a public housing agency and insured pursuant to this subsection, such reserves and development costs, not to exceed 5 per centum of the amount otherwise allowable, as may be established or authorized by the public housing agency consistent with such agency's procedures and underwriting standards.

#### GRADUATED PAYMENT MORTGAGES <sup>1</sup>

SEC. 245.<sup>2</sup> The Secretary may insure under any provision of this title mortgages and loans with provisions of varying rates of amortization corresponding to anticipated variations in family income to the extent he determines such mortgages or loans (1) have promise for expanding housing opportunities or meet special needs, (2) can be developed to include any safeguards for mortgagors or purchasers that may be necessary to offset special risks of such mortgages, and (3) have a potential for acceptance in the private market. Notwithstanding any other provision of this title the principal obligation (including all interest to be deferred and added to principal) of a mortgage insured pursuant to this section may not exceed 97 per centum of the appraised value of the property covered by the mortgage as of the date the mortgage is accepted for insurance, or if the mortgagor is a veteran and the mortgage is to be insured in accordance with the provisions of section 203 of this title, such higher percentage of appraised value as is provided for purposes of determining the maximum mortgage amount eligible for insurance under section 203(b) (2) in the case of veterans. A mortgage or loan may not be insured pursuant to this section after September 30, 1979,<sup>3</sup> except pursuant to a commitment entered into prior to such date.

Any mortgage or loan insured pursuant to this section which contains or sets forth any graduated mortgage provisions (including but not limited to provisions for adding deferred interest to principal) which are authorized under this section and applicable regulations, or

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended the caption of section 245 by striking "EXPERIMENTAL FINANCING" and inserting in lieu thereof "GRADUATED PAYMENT MORTGAGES."

<sup>2</sup> Sec. 308, Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, further amended the National Housing Act by adding a new section 245.

<sup>3</sup> Sec. 7 of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 245 of the National Housing Act by deleting "June 30, 1976 and inserting in lieu thereof "September 30, 1977, Public Law 95-128, approved October 12, 1977, deleted "September 30, 1977 and inserted in lieu thereof "September 30, 1978". Further extended by Section 301(g) of Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.



which have been insured on the basis of their being so authorized, shall not be subject to any State constitution, statute, court decree, common law, or rule or public policy limiting the amount of interest which may be charged, taken, received, or reserved, or the manner of calculating such interest (including but not limited to prohibitions against the charging of interest on interest), if such statute, court decree, common law, or rule would not apply to the mortgage or loan in the absence of such graduated payment mortgage provisions.

#### SALE OF ACQUIRED PROPERTY TO COOPERATIVES

SEC. 246.<sup>1</sup> In any case which the Secretary sells a multifamily housing project acquired as the result of a default on a mortgage which was insured under this Act to a cooperative which will operate it on a non-profit basis and restrict permanent occupancy of its dwellings to members, or to a nonprofit corporation which operates as a consumer cooperative as defined by the Secretary, the Secretary may accept a purchase money mortgage, or upon application of the mortgagee, insure a mortgage under this section upon such terms and conditions as the Secretary determines are reasonable and appropriate, in a principal amount equal to the value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves; except that the Secretary may add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or make such other provisions for payment of such expenses and costs as the Secretary deems reasonable and appropriate. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements.

### TITLE III—NATIONAL MORTGAGE ASSOCIATIONS

See Secondary Market for Mortgage Loans page 645.

### TITLE IV—INSURANCE OF SAVINGS AND LOAN ACCOUNTS

This title created the Federal Savings and Loan Insurance Corporation and authorized the Corporation to insure the accounts of saving and loan associations. It is administered by the Corporation under the general direction and supervision of the Federal Home Loan Bank Board, which is not in the Department of Housing and Urban Development. See section on National Financial Institutions beginning on page 719.

<sup>1</sup> Sec. 315, Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, further amended the National Housing Act by adding a new section 246. Sec. 246 was amended by Sec. 322, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

## TITLE V—MISCELLANEOUS

SEC. 501.<sup>1</sup>SEC. 502.<sup>1</sup>SEC. 503.<sup>1</sup>SEC. 504.<sup>2</sup>SEC. 505.<sup>3</sup>SEC. 506.<sup>4</sup>SEC. 507.<sup>1</sup>SEC. 508.<sup>4</sup>SEC. 509.<sup>1</sup>SEC. 510.<sup>5</sup>SEC. 511.<sup>6</sup>

## PENALTIES

SEC. 512.<sup>7</sup> Notwithstanding any other provision of law, the Secretary is authorized to refuse the benefits of participation (either directly as an insured lender or as a borrower, or indirectly as a builder, contractor, or dealer, or salesman or sales agent for a builder, contractor or dealer) under title I, II, VI, VII, IX, X<sup>8</sup> or XI<sup>8</sup> of this Act to any person or firm (including but not limited to any individual, partnership, association, trust, or corporation) if the Secretary has determined that such person or firm (1) has knowingly or willfully violated any provision of this Act or of title III of the Servicemen's Readjustment Act of 1944, as amended, or of chapter 37 of title 38, United States Code, or of any regulation issued by the Secretary under this Act or by the Administrator of Veterans' Affairs under said title III, or chapter 37, or (2) has, in connection with any construction, alteration, repair or improvement work financed with assistance under this Act or under said title III, or chapter 37, or in connection with contracts or financing relating to such work, violated any Federal or State penal statute, or (3) has failed materially to properly carry out contractual obligations with respect to the completion of construction, alteration, repair, or improvement work financed with assistance under this Act or under title III of the Servicemen's Readjustment Act of 1944, as amended, or of chapter 37 of title 38, United States Code. Before any such determination is made any person or firm with respect to whom such a determination is proposed shall be notified in writing by the Secretary and shall be entitled,

<sup>1</sup> Amended the Federal Home Loan Bank Act, 12 U.S.C. 1421 et seq.

<sup>2</sup> Added sec. 86a, to the Farm Credit Act of 1933 to authorize production credit associations to make loans eligible for title I FHA insurance and to avail themselves of the benefit of such FHA insurance.

<sup>3</sup> Amended sec. 24 of the Federal Reserve Act to remove certain restrictions by the Act on the amounts of loans made by member banks of the Federal Reserve System, in the case of title II FHA insured loans.

<sup>4</sup> Amended the Home Owners' Loan Act of 1933, 12 U.S.C. 1461.

<sup>5</sup> Amended the Act entitled "An Act relating to contracts and agreements under the Agricultural Adjustment Act," approved January 25, 1934.

<sup>6</sup> Amended sec. 22 of the Interstate Commerce Act, as amended, to add a provision that nothing in that Act should prevent carriers from giving reduced rates for the transportation of commodities with the object of improving housing standards and providing employment if the rates had been authorized by the Interstate Commerce Commission.

<sup>7</sup> Provisions of sec. 512 as set forth in the text enacted by sec. 132 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954. 68 Stat. 590, 610. Previous penalty provisions of sec. 512 had been repealed by Public Law 772, 80th Congress, approved June 25, 1948, 62 Stat. 683, which revised and codified these provisions. See title 18, United States Code, secs. 1010, 403, 657 and 709 for the criminal provisions formerly set forth in sec. 512. See also secs. 433, 1006, 1008, and 1009 of title 18, United States Code. Sec. 512 appears at 12 U.S.C. 1731(a).

<sup>8</sup> Sec. 1020(e), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1296, added titles X (Land Development) and XI (Group Practice Facilities).

upon making a written request to the Secretary to a written notice specifying charges in reasonable detail and an opportunity to be heard and to be represented by counsel. Determinations made by the Secretary under this section shall be based on the preponderance of the evidence. For<sup>1</sup> the purposes of compliance with this section the Secretary's notice of a proposed determination under this section shall be considered to have been received by the interested person or firm if the notice is properly mailed to the last known address of such person or firm.

SEC. 513.<sup>2</sup> (a) The Congress hereby declares that it has been its intent since the enactment of the National Housing Act that housing built with the aid of mortgages insured under that Act is to be used principally for residential use; and that this intent excludes the use of such housing for transient or hotel purposes while such insurance on the mortgage remains outstanding.

(b) Notwithstanding any other provisions of this Act, no new, existing, or rehabilitated multifamily housing with respect to which a mortgage is insured under this Act shall be operated for transient or hotel purposes unless (1) on or before May 28, 1954, the Secretary has agreed in writing to the rental of all or a portion of the accommodations in the project for transient or hotel purposes (in which case no accommodations in excess of the number so agreed to by the Secretary shall be rented on such basis), or (2) the project covered by the insured mortgage is located in an area which the Secretary determines to be a resort area, and the Secretary finds that prior to May 28, 1964, a portion of the accommodations in the project had been made available for rent for transient or hotel purposes (in which case no accommodations in excess of the number of which had been made available for such use shall be rented on such basis).

(c) Notwithstanding any other provisions of this Act, no mortgage with respect to multifamily housing shall be insured under this Act (except pursuant to a commitment to insure issued prior to the effective date of the Housing Act of 1954), and (except as to housing coming within the provisions of clause (1) or clause (2) of the preceding subsection) no mortgage with respect to multifamily housing shall be insured for an additional term, unless (1) the mortgagor certifies under oath that while such insurance remains outstanding he will not rent, or permit the rental of, such housing or any part thereof for transient or hotel purposes, and (2) the Secretary has entered into such contract with, or purchased such stock of, the mortgagor as the Secretary deems necessary to enable him to prevent or terminate any use of such property or project for transient or hotel purposes while the mortgage insurance remains outstanding.

(d) The Secretary is hereby authorized and directed to enforce the provisions of this section by all appropriate means at his disposal, as to all existing multifamily housing with respect to which a mortgage was insured under this Act prior to the effective date of the Housing Act of 1954 as well as to all multifamily housing with respect to which a mortgage is hereafter insured under this Act: *Provided*, That no criminal penalty shall, by reason of enactment of this section, be appli-

<sup>1</sup> Sec. 119, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 665, added this sentence.

<sup>2</sup> Sec. 513 added by sec. 152, Housing Act of 1954, Public Law 560, 83d Congress approved August 2, 1954, 68 Stat. 590, 610.



cable to the rental or operation of any such existing multifamily housing in violation of any provision of subsection (b) of this section at any time prior to the effective date of the Housing Act of 1954.

(e) As used in this section, (1) the term "rental for transient or hotel purposes" shall have such meaning as prescribed by the Secretary but rental for any period less than thirty days shall in any event constitute rental for such purposes, and (2) the term "multifamily housing" shall mean (i) a property held by a mortgagor upon which there are located five or more single family dwellings, or upon which there is located a two-, three-, or four-family dwelling, or (ii) a property or project covered by mortgage insured or to be insured under section 207, under section 213 with respect to any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) thereof, under section 220 if the mortgage is within the provisions of paragraph (3)(B) of subsection (d) thereof, under section 221 if the mortgage is within the provisions of paragraph (3) of subsection (d) thereof, under section 608, under section 803, or under section 908, or (iii) a project with respect to which an insurance contract pursuant to title VII is outstanding.

(f) Promptly after receipt of written notice that any portion of any building is being rented or operated in violation of any provision of this section or of any rule or regulation lawfully issued thereunder, the Secretary shall investigate the existence of the facts alleged in the written notice and shall order such violation, if found to exist, to cease forthwith.

(g) If such violation does not cease in accordance with such order, the Secretary shall forward the complaint to the Attorney General of the United States for prosecution of such civil or criminal action, if any, which the Attorney General may find to be involved in such violation.

(h) Whenever he finds a violation of any provision of this section has occurred or is about to occur, the Attorney General shall petition the district court of the United States or the district court of any Territory or other place subject to United States jurisdiction within whose jurisdictional limits the person doing or committing the acts or practices constituting the alleged violation of this section shall be found, for an order enjoining such acts or practices, and upon a showing by the Attorney General that such acts or practices constituting such violation have been engaged in or are about to be engaged in, a permanent or temporary injunction, restraining order, or other order, with or without such injunctions or restraining order, shall be granted without bond.

(i) Any person owning or operating a hotel within a radius of fifty miles of a place where a violation of any provision of this section has occurred or is about to occur, or any group or association of hotel owners or operators within said fifty-mile radius, at his or their sole charge or cost, may petition any district court of the United States or the district court of any Territory or other place subject to United States jurisdiction within whose jurisdictional limits the person doing or committing the acts or practices constituting the alleged violation of this section shall be found, for an order enjoining such acts or practices, and, upon a showing that such acts or practices constituting such violation have been engaged in or are about to be engaged in, a permanent or temporary injunction, restraining order or other order with

or without such injunction or restraining order, shall be granted.

(j) The several district courts of the United States and the several district courts of the Territories of the United States or other place subject to United States jurisdiction, within whose jurisdictional limits the person doing or committing the acts or practices constituting the alleged violation shall be found, shall, wheresoever such acts or practices may have been done or committed, have full power and jurisdiction to hear, try, and determine such matter under subsection (h) and (i) of this section.

#### SEPARABILITY PROVISION

SEC. 513.<sup>1</sup> If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

#### APPLICABILITY OF OTHER ACTS

SEC. 514. The provisions of section 10(a)1 and 10b of the Federal Home Loan Bank Act, as amended (49 Stat. 294, 295); paragraph seventh of section 5136 of the Revised Statutes, as amended (49 Stat. 709); section 24 of the Federal Reserve Act, as amended (49 Stat. 706); subsection (n) of section 77B of the Bankruptcy Act, as amended (49 Stat. 664); section 5(c) of the Act approved January 31, 1935, continuing and extending the functions of the Reconstruction Finance Corporation (49 Stat. 1); and all other provisions of law establishing rights under mortgages insured in accordance with the provisions of the National Housing Act, shall be held to apply to such Act, as amended.

SEC. 515. At any time prior to final endorsement for insurance, the Secretary, in his discretion, may amend, extend, or increase the amount of any commitment, provided the mortgage, as finally endorsed for insurance is eligible for insurance under the provisions of this Act, and the rules and regulations, thereunder, in effect at the time the original commitment to insure was issued.

SEC. 516.<sup>2</sup> The following funds shall be deemed an indebtedness to the United States of the particular insurance fund involved, and the Secretary is authorized and directed to pay the amount of such indebtedness to the Secretary of the Treasury, with simple interest thereon from the date the funds were advanced to the date of final payment at a rate determined by the Secretary of the Treasury, taking into consideration the average rate on outstanding marketable obligations of the United States from the date the funds were advanced until the date of final payment—

(1) funds made available to the Secretary pursuant to the provisions of sections 4 and 202, exclusive of amounts heretofore refunded, (a) for carrying out title II with respect to mortgages insured under section 203 where such funds were credited to the

<sup>1</sup> Through error this sec. 513 was duplicated by the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 610, sec. 132.

<sup>2</sup> Sec. 516 added by sec. 9 of the Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 123.

general reinsurance account in the Mutual Mortgage Insurance Fund, and (b) for the payment of salaries and expenses with respect to mortgage insurance under sections 207 and 210 where such funds were credited to the Housing Insurance Fund;

(2) funds made available to the Secretary pursuant to sections 602 and 802; and

(3) funds made available to the Secretary by the Secretary of the Treasury pursuant to section 710.

Payments to the Secretary of the Treasury under this section shall be made in such amounts and at such times as the Secretary determines, after consultations with the Secretary of the Treasury, that funds are available for that purpose, taking into consideration the continued solvency of the funds involved. All payments made pursuant to this section shall be covered into the Treasury as miscellaneous receipts.

#### PREPAYMENT OF MORTGAGES BY NONPROFIT EDUCATIONAL INSTITUTIONS

SEC. 517.<sup>1</sup> (a) Notwithstanding any other provision of this Act, no adjusted premium charge shall be collected in connection with the payment in full, prior to maturity, of any mortgage insured under this Act, if the mortgagor certifies to the Secretary that the loan was paid in full by or on behalf of a nonprofit educational institution which intends to use the property for educational purposes.

(b) The Secretary shall refund any adjusted premium charge collected subsequent to July 1, 1962, and prior to the date of the enactment of the Housing Act of 1964,<sup>2</sup> in connection with the payment in full, prior to maturity, of any mortgage insured under this Act, if the mortgagor under such mortgage makes the certification prescribed by subsection (a).

#### EXPENDITURES TO CORRECT OR COMPENSATE FOR SUBSTANTIAL DEFECTS IN MORTGAGED HOMES

SEC. 518.<sup>3</sup> (a) The Secretary is authorized, with respect to any property improved by a one- to four-family dwelling approved for mortgage insurance prior to the beginning of construction which he finds to have structural defects, to make expenditures for (1) correcting such defects, (2) paying the claims of the owner of the property arising from such defects, or (3) acquiring title to the property: *Provided*, That such authority of the Secretary shall exist only (A) if the owner has requested assistance from the Secretary not later than four years (or such shorter time as the Secretary may prescribe) after insurance of the mortgage, and (B) if the property is encumbered by a mortgage which is insured under this Act after the date of enactment of the Housing Act of 1964.<sup>4</sup>

<sup>1</sup> Sec. 517, added by sec. 120 of the Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 782.

<sup>2</sup> September 2, 1964.

<sup>3</sup> Sec. 518, added by sec. 121 of the Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 783.

SEC. 5, Public Law 90-301, approved May 7, 1968, enacted similar authority for the Veterans' Administrator with respect to dwellings inspected during construction by the VA or FHA, where the property is encumbered by a mortgage insured or guaranteed by VA after May 7, 1968.

<sup>4</sup> September 2, 1964.



(b)<sup>1</sup> The Secretary is authorized to make expenditures to correct, or to reimburse the owner for the correction of, structural or other major defects which so seriously affect use and livability as to create a serious danger to the life or safety of inhabitants of any one, two, three, or four<sup>2</sup> family dwelling which is covered by a mortgage insured under section 235 of this Act or which is located in an older, declining urban area and is covered by a mortgage insured under section 203 or 221 on or after August 1, 1968, but prior to January 1, 1973, and which is more than one year old on the date of the issuance of the insurance commitment, if (1) the owner requests assistance from the Secretary not later than one year after the insurance of the mortgage, or, in the case of a dwelling covered by a mortgage insured under section 203 or 221 the insurance commitment for which was issued on or after August 1, 1968, but prior to January 1, 1973, not more than four months after the date of enactment of the Housing Authorization Act of 1976,<sup>3</sup> and (2) the defect is one that existed on the date of the issuance of the insurance commitment and is one that a proper inspection could reasonably be expected to disclose. The Secretary may require from the seller of any such dwelling an agreement to reimburse him for any payments made pursuant to this subsection with respect to such dwelling.

Expenditures<sup>4</sup> pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for.

(c) The Secretary shall by regulations prescribe the terms and conditions under which expenditures and payments may be made under the provisions of this section, and his decisions regarding such expenditures or payments, and the terms and conditions under which the same are approved or disapproved, shall be final and conclusive and shall not be subject to judicial review.<sup>5</sup>

(d) The Secretary is authorized to make expenditures to correct or to reimburse the owner for the correction of structural or other major defects which so seriously affect use and liveability as to create a serious danger to the life or safety of inhabitants of any one-, two-, three-, or four-family dwelling which is more than one year old on the date of issuance of the insurance commitment, is located in an older, declining urban area, and is covered by a mortgage insured under section 203 or 221 on or after January 1, 1973, but prior to the date

<sup>1</sup> Sec. 104, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1771, inserted this new subsection (b) and redesignated the former subsection (b) as subsection (c). Sec. 306, Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended section 518(b).

<sup>2</sup> Sec. 302(1) of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, deleted the words "one or two" and inserted in lieu thereof "one, two, three, or four".

<sup>3</sup> Sec. 302(2) of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, deleted the words "one year" the second time it appears in clause (1) of the first sentence and inserted in lieu thereof "19 months". Sec. 9(a)(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, deleted the words "not more than 19 months after the date of enactment of the Housing and Community Development Act of 1974" and inserted in lieu thereof "not more than four months after the date of enactment of the Housing Authorization Act of 1976".

<sup>4</sup> Sec. 9(a)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 518(b) of the National Housing Act to read as set forth in the text.

<sup>5</sup> Sec. 9(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 518 of the National Housing Act by adding new subsections "(d)" and "(e)".

of enactment of this subsection if (1) the owner requests assistance from the Secretary not more than one year after the date of enactment of this subsection, and (2) the defect is one that existed on the date of the issuance of the insurance commitment and is one that a proper inspection could reasonably have been expected to have disclosed. The Secretary may require from the seller of any such dwelling an agreement to reimburse him for any payments made pursuant to this subsection with respect to such dwelling. Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for.

(e) The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study and report to Congress, with recommendations, not later than March 1, 1977, with respect to an effective program for protecting home buyers from hidden or undisclosed defects seriously affecting the use and livability of the home, which would be applicable to existing homes financed with mortgages insured under this Act. In the study and report the Secretary shall particularly investigate the need for, cost and feasible structure of, a national home inspection and warranty program, with respect to such homes, to be operated by the Federal Government out of fees assessed on the home buyer and amortized over a period of two years. The Secretary's report shall also present an analysis of alternative Federal programs to meet these needs, and the cost and means of financing such programs. In the report the Secretary shall also outline administrative steps which can be taken to provide disclosure to purchasers of existing homes financed with mortgages insured under this Act of the actual condition of the home and the types of repairs or replacements likely to be needed within a period of two years, such as repairs or replacement of furnace, roof or major appliances, based on age and useful life expectancy of such appurtenances.

#### ESTABLISHMENT OF GENERAL INSURANCE FUND

SEC. 519.<sup>1</sup> (a) There is hereby created a General Insurance Fund which shall be used by the Secretary, on and after the date of the enactment of the Housing and Urban Development Act of 1965, as a revolving fund for carrying out all the insurance provisions of this Act with the exception of those specified in subsection (e). All mortgages or loans insured under this Act pursuant to commitments issued on or after the date of the enactment of the Housing and Urban Development Act of 1965, except those specified in subsection (e), and all loans reported for insurance under section 2 on or after the date of the enactment of the Housing and Urban Development Act of 1965, shall be insured under the General Insurance Fund. The Secretary shall transfer to the General Insurance Fund—

(1) the assets and liabilities of all insurance accounts and funds, except the Mutual Mortgage Insurance Fund, existing under this Act immediately prior to the enactment of the Housing and Urban Development Act of 1965;

<sup>1</sup> Sec. 519 added by sec. 214 of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 471.



(2) all outstanding commitments for insurance issued prior to the date of the enactment of the Housing and Urban Development Act of 1965, except those specified in subsection (e);

(3) the insurance on all mortgages and loans insured prior to the date of the enactment of the Housing and Urban Development Act of 1965, except insurance specified in subsection (e); and

(4) the insurance of all loans made by approved financial institutions pursuant to section 2 prior to the date of the enactment of the Housing and Urban Development Act of 1965.

(b) The general expenses of the operations of the Department of Housing and Urban Development relating to mortgages and loans which are the obligation of the General Insurance Fund may be charged to the General Insurance Fund.

(c) Moneys in the General Insurance Fund not needed for the current operations of the Department of Housing and Urban Development with respect to mortgages and loans which are the obligation of the General Insurance Fund shall be deposited with the Treasurer of the United States to the credit of such Fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States or<sup>1</sup> any agency of the United States: *Provided*, That such moneys shall to the maximum extent feasible be invested in such bonds or other obligations the proceeds of which will be used to directly support the residential mortgage market.

The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued as obligations of the General Insurance Fund or issued prior to the enactment of the Housing and Urban Development Act of 1965 under other provisions of this Act, except debentures issued under the Mutual Mortgage Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

(d) Premium charges, adjusted premium charges, and appraisals and other fees received on account of the insurance of any mortgage or loan which is the obligation of the General Insurance Fund, the receipts derived from the property covered by such mortgages and loans and from the claims, debts, contracts, property, and security assigned to the Secretary in connection therewith, and all earnings on the assets of the Fund shall be credited to the General Insurance Fund. The principal of, and interest paid and to be paid on, debentures which are the obligation of such Fund, cash insurance payments and adjustments, and expenses incurred in the handling, management, renovation, and disposal of properties acquired, in connection with mortgages and loans which are the obligation of such Fund, shall be charged to such Fund.

(e) The General Insurance Fund shall not be used for carrying out the provisions of sections 203(b), 203(h), and 203(i), or the provisions of section 213 to the extent that they involve mortgages the insurance for which is the obligation of the Cooperative Management Housing

<sup>1</sup> Sec. 117(e), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, added the remainder of this sentence.



Insurance Fund created by section 213(k), or the provisions<sup>1</sup> of sections 223(e), 233(a) (2), 235, 236 and 237; and nothing in this section shall apply to or affect mortgages, loans, commitments, or insurance under such provisions.

(f)<sup>2</sup> There are authorized to be appropriated to cover losses sustained by the General Insurance Fund not to exceed \$1,341,000,000<sup>3</sup>, which amount shall be increased by \$165,000,000 on October 1, 1978.

#### OPTIONAL CASH PAYMENT OF INSURANCE BENEFITS

SEC. 520.<sup>4</sup> (a) Notwithstanding any other provisions of this Act with respect to the payment of insurance benefits, the Secretary is authorized, in his discretion, to pay in cash or in debentures any insurance claim or part thereof which is paid on or after the date of the enactment of the Housing and Urban Development Act of 1965 on a mortgage or a loan which was insured under any section of this Act either before or after such date. If payment is made in cash, it shall be in an amount equivalent to the face amount of the debentures that would otherwise be issued plus an amount equivalent to the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

(b) The Secretary is authorized to borrow from the Treasury from time to time such amounts as the Secretary shall determine are necessary (1) to make payments in cash (in lieu of issuing debentures guaranteed by the United States, as provided in this Act) pursuant to the provisions of this section, and (2) to make payments for reinsured and directly insured losses<sup>5</sup> under title XII of this Act: *Provided, however*, That borrowings to make payments for reinsured and directly insured losses under title XII shall be limited to \$250,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine. Notes or other obligations issued by the Secretary in borrowing under this subsection shall be subject to such terms and conditions as the Secretary of the Treasury may prescribe. Each sum borrowed pursuant to this subsection shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of such notes or other obligations.

#### APPROVAL OF TECHNICALLY SUITABLE MATERIALS

SEC. 521.<sup>6</sup> The Secretary shall adopt a uniform procedure for the

<sup>1</sup> Sec. 104(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 558, added "or the provisions of sections 223(e), 233(a) (2), 235, 236 and 237".

<sup>2</sup> Sec. 10 of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 519 of the National Housing Act by adding a new subsection "(f)".

<sup>3</sup> Supplemental Housing Authorization Act of 1977, Public Law 95-24, approved April 30, 1977 ~~deleted "\$500,000,000"~~ and inserted in lieu thereof "1,341,000,000". The phrase "which amount shall be increased by \$165,000,000 on October 1, 1978" was added by Sec. 310, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>4</sup> Sec. 520 added by sec. 215 of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 472.

<sup>5</sup> This authorization to make payments for reinsured losses under title XII was added by sec. 1104, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 568. The authorization to make payments for directly insured losses under title XII was added by sec. 604, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1791.

<sup>6</sup> Sec. 521 was added by sec. 216 of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 473.

acceptance of materials and products to be used in structures approved for mortgages or loans insured under this Act. Under such procedure any material or product which the Secretary finds is technically suitable for the use proposed shall be accepted. Acceptance of a material or product as technically suitable shall not be deemed to restrict the discretion of the Secretary to determine that a structure, with respect to which a mortgage is executed, is economically sound or an acceptable risk.

#### WATER AND SEWER FACILITIES

SEC. 522.<sup>1</sup> Notwithstanding any other provision of this Act, no mortgage which covers new construction shall be approved for insurance under this Act (except pursuant to a commitment made prior to the date of the enactment of the Housing and Urban Development Act of 1965) if the mortgaged property includes housing which is not served by a public or adequate community water and sewerage system: *Provided*, That this limitation shall be applicable only to property which is not served by a system approved by the Secretary pursuant to title X of this Act and which is situated in an area certified by appropriate local officials to be an area where the establishment of public or adequate community water and sewerage systems is economically feasible: *Provided further*, That for purposes of this section the economic feasibility of establishing such public or adequate community water and sewerage systems shall be determined without regard to whether such establishment is authorized by law or is subject to approval by one or more local governments or public bodies.

#### WAIVER OF DEDUCTION ON ASSIGNMENT OF PROPERTY TO SECRETARY IN LIEU OF FORECLOSURE

SEC. 523.<sup>2</sup> Notwithstanding any other provision of this Act, from and after the date of the enactment of the Demonstration Cities and Metropolitan Development Act of 1966, the Secretary, under such terms and conditions as he may approve, may waive all or a part of the 1 per centum deduction otherwise made from insurance benefits with respect to multifamily housing or land development mortgages assigned to him, where the assignment is made at his request in lieu of foreclosure of the mortgage.

#### FHA REHABILITATION STANDARDS FOR HOUSING IN URBAN RENEWAL AREAS

SEC. 524.<sup>3</sup> In determining whether properties should be approved by the Secretary prior to rehabilitation and covered by mortgages insured under title II of this Act, the Secretary shall apply uniform property standards as between properties located outside urban renewal areas and those located within urban renewal areas.

<sup>1</sup> Sec. 522 was added by sec. 217 of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 473.

<sup>2</sup> Sec. 523 was added by sec. 312, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved Nov. 3, 1966, 80 Stat. 1255, 1271.

<sup>3</sup> Section 524 was added by sec. 116, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1774.

## ADVANCES

SEC. 525.<sup>1</sup> The Secretary is authorized to insure mortgage proceeds advanced during construction or rehabilitation or otherwise prior to final endorsement of a project mortgage for the purpose of (1) financing improvements to the property and the purchase of materials and building components delivered to the property, and (2) providing funds to cover the cost of building components where such components have been assembled and specifically identified for incorporation into the property but are located at a site other than the mortgaged property, with such security as the Secretary may require.

## ENERGY CONSERVATION

SEC. 526.<sup>2</sup> To the maximum extent feasible, the Secretary of Housing and Urban Development shall promote the use of energy saving techniques through minimum property standards established by him for newly constructed residential housing subject to mortgages insured under this Act. Such standards shall establish energy performance requirements that will achieve a significant increase in the energy efficiency of new construction, until such time as the energy conservation performance standards required under the Energy Conservation Standards for New Buildings Act of 1976 become effective. Such requirements shall be implemented as soon as practicable after the date of enactment of this sentence.

## PROHIBITION AGAINST DISCRIMINATION ON ACCOUNT OF SEX IN EXTENSION OF MORTGAGE ASSISTANCE

SEC. 527. No federally related mortgage loan, or Federal insurance, guaranty, or other assistance in connection therewith (under this or any other Act), shall be denied to any person on account of sex; and every person engaged in making mortgage loans secured by residential real property shall consider without prejudice the combined income of both husband and wife for the purpose of extending mortgage credit in the form of a federally related mortgage loan to a married couple or either member thereof.

(b) For purposes of subsection (a), the term "federally related mortgage loan" means any loan which—

(1) is secured by residential real property designed principally for the occupancy of from one to four families; and

(2) (A) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by any lender which is itself regulated by any agency of the Federal Government; or

(B) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by the Secretary of

<sup>1</sup> Sec. 301 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new section.

<sup>2</sup> Sec. 305 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new section. Amended by Sec. 526, National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.



Housing and Urban Development or a housing or related program administered by any other such officer or agency; or

(C) is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or from any financial institution from which it could be purchased by the Federal Home Loan Mortgage Corporation; or

(D) is made in whole or in part by any "creditor", as defined in section 103(f) of the Consumer Credit Protection Act of 1968 (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than \$1,000,000 per year.<sup>1</sup>

## SECONDARY MORTGAGES ON INSURED PROPERTIES

SEC. 528.<sup>2</sup> In carrying out the provisions of title II of this Act with respect to insuring mortgages secured by a one- to four-family dwelling unit, the Secretary may not deny such insurance for any such mortgage solely because the dwelling unit which secures such mortgage will be subject to a secondary mortgage or loan made or insured, or other secondary lien held, by any State or local governmental agency or instrumentality under terms and conditions approved by the Secretary.

## TITLE VI—WAR HOUSING INSURANCE<sup>3</sup>

SEC. 601. As used in this title—

(a) The term "mortgage" means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable; or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed; and the term "first mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(b) The term "mortgagee" includes the original lender under a mortgage, and his successors and assigns approved by the Secretary; and the term "mortgagor" includes the original borrower under a mortgage and his successors and assigns.

(c) The term "maturity date" means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

(d) The term "State" includes the several States, and <sup>4</sup> Puerto Rico, the District of Columbia, Guam, and the Virgin Islands.

SEC. 602.<sup>5</sup>

SEC. 603. (a) In order to assist in relieving the acute shortage of housing which now exists and to increase the supply of housing accommodations available to veterans of World War II at prices within their

<sup>1</sup> Sec. 808(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new section 527.

<sup>2</sup> Added by Sec. 323, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>3</sup> Title VI was added to the National Housing Act by Public Law 24, 77th Congress, approved March 28, 1941, 55 Stat. 55.

<sup>4</sup> Sec. 10(a), Alaska Omnibus Act, Public Law 86-79, approved June 25, 1959, 73 Stat. 141, 142, deleted "Alaska," and sec. 6, Hawaii Omnibus Act, Public Law 86-624, approved July 12, 1950, 74 Stat. 411, deleted "Hawaii."

<sup>5</sup> Sec. 602 was repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965.

reasonable ability to pay, the Secretary is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage which is eligible for insurance as hereinafter provided, and, upon such terms as the Secretary may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the aggregate amount of principal obligations of all mortgages insured under this title shall not exceed \$6,150,000,000 except that with the approval of the President such aggregate amount may be increased to not to exceed \$6,650,000,000: *Provided further*, That no mortgage shall be insured under section 603 of this title after April 30, 1948, except (A) pursuant to a commitment to insure issued on or before April 30, 1948, or (B) a mortgage given to refinance an existing mortgage insured under section 603 of this title and which does not exceed the original principal amount and unexpired term of such existing mortgage, and no mortgage shall be insured under section 608 of this title after March 1, 1950, except (i) pursuant to a commitment to insure issued on or before March 1, 1950, or (ii) a mortgage given to refinance an existing mortgage insured under section 608 of this title and which does not exceed the original principal amount and unexpired term of such existing mortgage: *Provided further*, That no mortgage shall be insured under section 608 of this title unless the mortgagor certifies under oath that in selecting tenants for the property covered by the mortgage he will not discriminate against any family by reason of the fact that there are children in the family, and that he will not sell the property while the insurance is in effect unless the purchaser so certifies, such certifications to be filed with the Secretary; and violation of any such certification shall be a misdemeanor punishable by a fine of not to exceed \$500: *And provided further*, That the Secretary shall, in his discretion, have power to require the availability for rental purposes of properties covered by mortgages insured under this title, in such instances and for such periods of time as he may prescribe.

Notwithstanding the first proviso of this subsection, mortgages may be insured under section 609 and section 611 of this title if the aggregate amounts of principal obligations of mortgages insured under said sections plus the aggregate amount of principal obligations of mortgages insured under section 610 of this title do not exceed the limitation contained in said section 610 upon the aggregate amount of principal obligations of mortgages insured pursuant to said section.

Notwithstanding the second proviso of this subsection, mortgages otherwise eligible for insurance under section 608 of this title may be hereafter insured thereunder if the application for such insurance was received by the Department of Housing and Urban Development on or before March 1, 1950,<sup>1</sup> and for such purpose the aggregate amount of principal obligations authorized to be insured under section 608 of this title is increased by not to exceed \$500,000,000.

(b) To be eligible for insurance under this section a mortgage shall—

(1) have been made to, and be held by, a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

<sup>1</sup> See sec. 908(g).

(2) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed 90 per centum of the Secretary's estimate of the value (as of the date the mortgage is accepted for insurance), except that as to applications received by the Secretary on or before March 31, 1948, the mortgage may involve a principal obligation in an amount not to exceed 90 per centum of the Secretary's estimate of the necessary current cost (including the land and such initial service charges and such appraisal, inspection, and other fees as the Secretary shall approve); of a property, urban, suburban, or rural, upon which there is located a dwelling designed principally for residential use for not more than four families in the aggregate, which is approved for mortgage insurance prior to the beginning of construction. The principal obligation of such mortgage shall in no event, however, exceed—

(A) \$5,400 if such dwelling is designed for a single-family residence, or

(B) \$7,500 if such dwelling is designed for a two-family residence, or

(C) \$9,500 if such dwelling is designed for a three-family residence, or

(D) \$12,000 if such dwelling is designed for a four-family residence: *Provided*, That the Secretary may, if he finds that at any time or in any particular geographical area it is not feasible, within such limitations of maximum mortgage amounts to construct dwellings without sacrifice of sound standards of construction, design, or livability, prescribed by regulation or otherwise higher maximum mortgage amounts not to exceed—

(A) \$8,100 if such dwelling is designed for a single-family residence, or

(B) \$12,500 if such dwelling is designed for a two-family residence, or

(C) \$15,750 if such dwelling is designed for a three-family residence, or

(D) \$18,000 if such dwelling is designed for a four-family residence.

(3) have a maturity satisfactory to the Secretary but not to exceed twenty-five years from the date of the insurance of the mortgage;

(4) contain complete amortization provisions satisfactory to the Secretary;

(5) bear interest (exclusive of premium charges for insurance) at not to exceed 4 per centum per annum on the amount of the principal obligation outstanding at any time;

(6) provide, in a manner satisfactory to the Secretary, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as herein provided) to amortization of the principal of the mortgage; and

(7) contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delin-



quency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

(c) The Secretary is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1½ per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Secretary under this title at par plus accrued interest, in such manner as may be prescribed by the Secretary: *Provided*, That the Secretary may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Secretary finds, upon the presentation of a mortgage for insurance and the tender of the initial premium charge and such other charges as the Secretary may require, that the mortgage complies with the provisions of this title, such mortgage may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe; but no mortgage shall be accepted for insurance under this title unless the Secretary finds that the project with respect to which the mortgage is executed is an acceptable risk in view of the shortage of housing referred to in this section. In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this title, until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid. The Secretary shall prescribe such procedures as in his judgment are necessary to secure to veterans of World War II, and their immediate families, and to hardship cases as defined by the Secretary, preference or prior properties insured under this title.

(d) Any contract of insurance heretofore or hereafter executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

SEC. 604.<sup>1</sup> (a) In any case in which the mortgagee under a mortgage insured under section 603 shall have foreclosed and taken possession

<sup>1</sup> Sec. 105(d), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 772, 773, made changes in the provisions of this section for the payment of insurance benefits. The changes are designed to simplify payment procedures.

of the mortgaged property, in accordance with regulations of, and within a period to be determined by, the Secretary, or shall, with the consent of the Secretary, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Secretary of title to the property which meets the requirements of rules and regulations of the Secretary in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations; and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Secretary. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Secretary shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, ground rents, and water rates, which are liens prior to the mortgage, special assessments which are noted on the application for insurance or which become liens after the insurance of the mortgage, insurance of the mortgaged property, and any mortgage-insurance premiums and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property as of the date the mortgage was accepted for insurance, they may be included in the debentures issued by the Secretary, on account of the cost of foreclosure (or of acquiring the property by other means) actually paid by the mortgagee and approved by the Secretary an amount—

(1) Not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings and not in excess of \$75; or

(2) not in excess of two-thirds of such cost, whichever is the greater: *Provided further*, That with respect to any debentures issued on or after the date of enactment of the Housing Act of 1964,<sup>1</sup> the Secretary may, with the consent of the mortgagee (in lieu of issuing a certificate of claim as provided in subsection (e)), include in debentures, in addition to amounts otherwise allowed for such costs, an amount not to exceed one-third of the total foreclosure, acquisition, and conveyance costs actually paid

<sup>1</sup> September 2, 1964.



by the mortgagee and approved by the Secretary, but in no event may the total allowance for such costs exceed the amount actually paid by the mortgagee: *And provided further*, That with respect to mortgages to which the provisions of sections 302 and 306 of the Soldiers' and Sailors' Civil Relief Act of 1940, as now or hereafter amended, apply and which are insured under section 603 of the National Housing Act, as now or hereafter amended, and subject to such regulations and conditions as the Secretary may prescribe, there shall be included in the debentures an amount which the Secretary finds to be sufficient to compensate the mortgagee for any loss which it may have sustained on account of interest on debentures and the payment of insurance premiums by reason of its having postponed the institution of foreclosure proceedings or the acquisition of the property by other means during any part or all of the period of such military service and three months thereafter.

(b) The Secretary may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage: *Provided*, That the mortgagor shall not be released from such liability in any case until the Secretary is satisfied that the mortgaged property has been sold to a purchaser satisfactory to the Secretary, and that such purchaser has paid on account of the purchase price, in cash or its equivalent, at least 10 per centum of the Secretary's estimate of the value as of the date the mortgage is accepted for insurance.

(c) Debentures issued under this title shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$350, shall be adjusted by the payment of cash by the Secretary to the mortgagee from the General Insurance Fund.

(d) The debentures issued under this section to any mortgagee shall be executed in the name of the General Insurance Fund as obligor, shall be signed by the Secretary by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, except that debentures issued pursuant to claims for insurance filed on or after the date of enactment of the Housing Act of 1964<sup>1</sup> shall be dated as of the date of default or as of such later date as the Secretary, in his discretion, may establish by regulation. The debentures shall bear interest from such date at a rate determined by the Secretary, with the approval of the Secretary of the Treasury, at the time the mortgage was accepted for insurance, but not to exceed 3 per centum per annum, payable semiannually on the 1st day of January and the 1st day of July of each year. Such debentures as are issued in exchange

<sup>1</sup> September 2, 1964.



for property covered by mortgages accepted for insurance under this section on or after the date of enactment of the National Housing Act Amendments of 1942, shall mature ten years after the date thereof. Such debentures as are issued in exchange for property covered by mortgages accepted for insurance under this section prior to the date of the enactment of the National Housing Act Amendments of 1942, shall mature three years after the 1st day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued: *Provided*, That any mortgagee entitled to receive such debentures may elect to receive in lieu thereof debentures which shall mature ten years after the date thereof. Such debentures shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by any Territory, dependency, or possession of the United States, or by the District of Columbia, or by any State, county municipality, or local taxing authority, and shall be paid out of the General Insurance Fund, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event that the General Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures issued under this title, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(e) The certificate of claim issued by the Secretary to any mortgagee shall be for an amount which the Secretary determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, at the time of the conveyance to the Secretary of the property covered by the mortgage, the mortgagor had redeemed the property and paid in full all obligations under the mortgage and a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Secretary. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 per centum per annum which shall not be compounded. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (f).

(f) (1) If, after deducting (in such manner and amount as the Secretary shall determine to be equitable and in accordance with sound accounting practice) the expenses incurred by the Secretary, the net amount realized from any property conveyed to the Secretary under this section and the claims assigned therewith exceed the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows:

(i) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such prop-

erty, the Secretary shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property: *Provided*, That on and after the date of enactment of the Housing Act of 1964,<sup>1</sup> any excess remaining after payment to the holder of the full amount of the certificate of claim shall be retained by the Secretary and credited to the General Insurance Fund; and

(ii) If such excess is equal to or less than the total amount payable under such certificate of claim, the Secretary shall pay to the holder of such certificate the full amount of such excess.

(2)<sup>2</sup> Notwithstanding any other provisions of this section, the Secretary is authorized, with the consent of the mortgagee or mortgagor, as the case may be, to effect the settlement of certificates of claim and refunds at any time after the sale or transfer of title to the property conveyed to the Secretary under this section and without awaiting the final liquidation of such property for the purpose of determining the net amount to be realized therefrom: *Provided*,<sup>3</sup> That the settlement authority created by the Housing Amendments of 1955 shall be terminated with respect to any certificate of claim outstanding as of the date of enactment of the Housing Act of 1964.<sup>1</sup>

(3) With the consent of the holder thereof, the Secretary is authorized to settle, without awaiting the final liquidation of the Secretary's interest in the property, any certificate of claim issued pursuant to subsection (e), with respect to which a settlement had not been effected prior to the date of enactment of the Housing Act of 1964,<sup>1</sup> by making payment in cash to the holder thereof of such amount not exceeding the face amount of the certificate of claim, together with the accrued interest increment thereon, as the Secretary may consider appropriate: *Provided*, That in any case where the certificate of claim is settled in accordance with the provisions of this paragraph, any amounts realized after the date of enactment of the Housing Act of 1964,<sup>1</sup> in the liquidation of the Secretary's interest in the property, shall be retained by the Secretary and credited to the applicable insurance fund.

(g) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Secretary shall have power to deal with, complete, rent, renovate, modernize, insure, make contracts or establish suitable agencies for the management of, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this title; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Secretary as provided in this title, except that no suit or action shall be commenced by the Secretary against any such mortgagor on account of any claim so assigned with respect to mortgages insured under section 603 unless

<sup>1</sup> September 2, 1964.

<sup>2</sup> This paragraph added by sec. 104 of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955. 69 Stat. 637.

<sup>3</sup> This proviso added by sec. 105(d)(7), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 773.

such suit or action is commenced within six months after the assignment of such claim to the Secretary, or within six months after the last payment was made to the Secretary with respect to the claim so assigned, whichever is later: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000. The power to convey and to execute in the name of the Secretary deeds of conveyances, deeds of release, assignments, and satisfactions of mortgages, and any other written instrument relating to real property or any interest therein heretofore or hereafter acquired by the Secretary pursuant to the provisions of this Act, may be exercised by an officer appointed by him, without the execution of any express delegation of power or power of attorney: *Provided*, That nothing in this subsection shall be construed to prevent the Secretary from delegating such power by order or by power of attorney in his discretion, to any officer, agent, or employee he may appoint.

(h) No mortgagee or mortgagor shall have and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Secretary or in any claim assigned to him; nor shall the Secretary owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collection of any such claim.

SEC. 605.<sup>1</sup>

SEC. 606. Nothing in this title shall be construed to exempt any real property acquired and held by the Secretary under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

SEC. 607. The Secretary is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.

SEC. 608. (a) In addition to mortgages insured under section 603 of this title, the Secretary is authorized to insure mortgages as defined in section 601 of this title (including advances on such mortgages during construction) which are eligible for insurance as hereinafter provided.

(b) To be eligible for insurance under this section a mortgage shall meet the following conditions:

(1) The mortgaged property shall be held by a mortgagor approved by the Secretary. The Secretary may, in his discretion, require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation. The Secretary may make such contracts with, and acquire for not to exceed \$100 stock or interest in any such mortgagor, as the Secretary may deem necessary to render effective such restrictions or regulation. Such stock or interest shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) Preference or priority of opportunity in the occupancy of the mortgaged property for veterans of World War II and their imme-

<sup>1</sup> Sec. 605, repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.



diate families, and for hardship cases as defined by the Secretary, shall be provided under such regulations and procedures as may be prescribed by the Secretary.

(3) The mortgage shall involve a principal obligation in an amount—

(A) not to exceed \$5,000,000; and

(B) not to exceed 90 per centum of the amount which the Secretary estimates will be the necessary current cost of the completed property or project, including the land; the proposed physical improvements; utilities within the boundaries of the property or project; architects' fees; taxes and interest accruing during construction; and other miscellaneous charges incidental to construction and approved by the Secretary: *Provided*, That such mortgage shall not in any event exceed the amount which the Secretary estimates will be the cost of the completed physical improvements on the property or project, exclusive of off-site public utilities and streets, and organization and legal expense: *And provided further*, That the principal obligation of the mortgage shall not, in any event, exceed 90 per centum of the Secretary's estimate of the replacement cost of the property or project on the basis of the costs prevailing on December 31, 1947, for properties or projects of comparable quality in the locality where such property or project is to be located; and

(C) not to exceed \$8,100 per family unit for such part of such property or project as may be attributable to dwelling use.

The mortgage shall provide for complete amortization by periodic payments within such terms as the Secretary shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 4½ per centum per annum on the amount of the principal obligation outstanding at any time. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release.

(c) The failure of the mortgagor to make any payment due under or provided to be paid by the terms of a mortgage insured under this section shall be considered a default under such mortgage, and if such default continues for a period of thirty days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Secretary, within a period and in accordance with rules and regulations to be prescribed by the Secretary of (1) all rights and interest arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagors or others, arising out of the mortgage transaction; (3) all policies of title or other insurance or surety bonds or other guarantees and any and all claims thereunder; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled; as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery the obligation

of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Secretary shall, subject to the cash adjustment provided for in section 604(c), issue to the mortgagee debentures having a total face value equal to the value of the mortgage, and a certificate of claim as hereinafter provided. For purposes of this subsection, the value of the mortgage shall be determined in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of default, the amount the mortgagee may have paid for (A) taxes, special assessments, and water rates, which are liens prior to the mortgage; (B) insurance on the property; and (C) reasonable expenses for the completion and preservation of the property and any mortgage insurance premiums paid after default; less the sum of (i) an amount equivalent to 1 per centum of the unpaid amount of such principal obligation on the date of default; (ii) any amount received on account of the mortgage after such date; and (iii) any net income received by the mortgagee from the property after such date: *Provided*, That the mortgagee in the event of a default under the mortgage may, at its option and in accordance with regulations of, and in a period to be determined by the Secretary, proceed to foreclose on and obtain possession of or otherwise acquire such property from the mortgagor after default, and receive the benefits of the insurance as herein provided, upon (1) the prompt conveyance to the Secretary of title to the property which meets the requirements of the rules and regulations of the Secretary in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations; and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims that may have been released with the consent of the Secretary. Upon such conveyance and assignment, the obligation of the mortgagee to pay the premium charges for insurance shall cease and the mortgagee shall be entitled to receive the benefits of the insurance as provided in this subsection, except that in such event the 1 per centum deduction, set out in (i) hereof, shall not apply.

(d) The certificate of claim issued by the Secretary to any mortgagee in connection with the insurance of mortgages under this section shall be for an amount determined in accordance with subsections (e) and (f) of section 604 of this title, except that any amount remaining after the payment of the full amount under the certificate of claim shall be retained by the Secretary and credited to the General Insurance Fund.

(e) Debentures issued under this section shall be issued in accordance with the provisions of section 604(d) except that such debentures shall be dated as of the date of default as determined in subsection (c) of this section, and shall bear interest from such date.

(f) The provisions of section 207(k) of this Act shall be applicable to mortgages insured under this section, except that, as applied to such mortgages, the reference therein to subsection (g) shall be construed to refer to subsection (c) of this section.

(g) The Secretary shall also have power to insure under this title, title I, title II, title VIII, or title IX any mortgage executed in connection with the sale by him of any property acquired under any

of such titles without regard to limitations upon eligibility, time, or aggregate amount contained therein.

SEC. 609. (a) In order to assist in relieving the acute shortage of housing which now exists and to promote the production of housing for veterans of World War II at moderate prices or rentals within their reasonable ability to pay, through the application of modern industrial processes, the Secretary is authorized to insure loans to finance the manufacture of housing (including advances on such loans) when such loans are eligible for insurance as hereinafter provided.

(b) Loans for the manufacture of houses shall be eligible for insurance under this section if at the time of such insurance, the Secretary determines they meet the following conditions:

(1) The manufacturer shall establish that binding purchase contracts have been executed satisfactorily to the Secretary providing for the purchase and delivery of the houses to be manufactured, which contracts shall provide for the payment of the purchase price at such time as may be agreed to by the parties thereto, but, in no event, shall the purchase price be payable on a date in excess of thirty days after the date of delivery of such houses, unless not less than 20 per centum of such purchase price is paid on or before the date of delivery and the lender has accepted and discounted or has agreed to accept and discount, pursuant to subsection (i) of this section a promissory note or notes, executed by the purchaser, representing the unpaid portion of such purchase price, in which event such unpaid portion of the purchase price may be payable on a date not in excess of one hundred and eighty days from the date of delivery of such houses;

(2) Such houses to be manufactured shall meet such requirements of sound quality, durability, liability, and safety as may be prescribed by the Secretary;

(3) The borrower shall establish to the satisfaction of the Secretary that he has or will have adequate plant facilities, sufficient capital funds, taking into account the loan applied for, and the experience necessary, to achieve the required production schedule;

(4) The loan shall involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the necessary current cost, exclusive of profit, of manufacturing the houses, which are the subject of such purchase contracts assigned to secure the loan, less any sums paid by the purchaser under said purchase contracts prior to the assignment thereof. The loan shall be secured by an assignment of the aforesaid purchase contracts and of all sums payable thereunder on or after the date of such assignment, with the right in the assignee to proceed against such security in case of default as provided in the assignment, which assignment shall be in such form and contain such terms and conditions, as may be prescribed by the Secretary; and the Secretary may require such other agreements and undertakings to further secure the loan as he may determine, including the right, in case of default or at any time necessary to protect the lender, to compel delivery to the lender of any houses then owned and in the possession of the borrower. The loan shall have a maturity not in excess of one year from the date of the note, except that any such loan may be refinanced and extended in accordance with such terms and conditions as the Secretary may



prescribe for an additional term not to exceed one year, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 4 per centum per annum on the amount of the principal obligation outstanding at any time.

(c) The Secretary may consent to the release of a part or parts of the property assigned or delivered as security for the loan, upon such terms and conditions as he may prescribe and the security documents may provide for such release.

(d) The failure of the borrower to make any payment due under or provided to be paid by the terms of a loan under this section, or the failure to perform any other covenant or obligation contained in any assignment, agreement, or undertaking executed by the borrower in connection with such loan shall be considered as a default under this section, and if such default continues for a period of thirty days, the lender shall be entitled to receive the benefits of the insurance hereinafter provided upon assignment, transfer, and delivery to the Secretary within a period and in accordance with the rules and regulations prescribed by the Secretary of (1) all rights and interest arising with respect to the loan so in default; (2) all claims of the lender against the borrower or others arising out of the loan transaction; (3) any cash or property held by the lender, or to which it is entitled, as deposits made for the account of the borrower and which have not been applied in reduction of the principal of the loan; and (4) all records, documents, books, papers, and accounts relating to the loan transaction. Upon such assignment, transfer, and delivery, the Secretary shall, subject to the cash adjustment provided for in section 604(c) issue to the lender debentures having a face value equal to the unpaid principal balance of the loan.

(e) Debentures issued under this section shall be issued in accordance with the provisions of section 604(d) except that such debentures shall be dated as of the date of default as determined in subsection (d) of this section and shall bear interest from such date.

(f) The provisions of section 207(k) and 603(a) of this Act shall be applicable to loans insured under this section, except that as applied to such loans (1) the reference in section 207(k) to "subsection (g)" shall be construed to refer to "subsection (d)" of this section; (2) the references in section 207(k) to insured mortgages shall be construed to refer to the assignment or other security for loans insured under this section; and (3) the references in section 603(a) to a mortgage or mortgages shall be construed to include a loan or loans under this section. The provisions of section 603(d) shall also be applicable to loans insured under this section and the reference in said section 603(d) to a mortgage shall be construed to include a loan or loans with respect to which a contract of insurance is issued pursuant to this section.

(g) Notwithstanding any other provision of law, the Secretary shall have the power to assign or sell at public or private sale, or otherwise dispose of, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with the payment of insurance heretofore or hereafter granted under this section, and to collect or compromise all obligations assigned to or held by him and all legal or equitable rights accruing to him in connection with the

payment of such insurance until such time as such obligations may be referred to the Attorney General for suit or collection.

(h) The Secretary shall fix a premium charge for the insurance granted under this section, but such premium charge shall not exceed an amount equivalent to 1 per centum of the original principal of such loan, and such premium charge shall be payable in advance by the financial institution and shall be paid at such time and in such manner as may be prescribed by the Secretary. In addition to the premium charge herein provided for, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for examining and processing applications for the insurance of loans under this section, including such additional inspections as the Secretary may deem necessary.

(i) (1) In addition to the insurance of the principal loan to finance the manufacture of housing, as provided in this section, and in order to provide short-term financing in the sale of houses to be delivered pursuant to the purchase contract or contracts assigned as security for such principal loan, the Secretary is authorized, under such terms and conditions and subject to such limitations as he may prescribe, to insure the lender against any losses it may sustain resulting from the acceptance and discount of a promissory note or notes executed by a purchaser of any such houses representing an unpaid portion of the purchase price of any such houses. No such promissory note or notes accepted and discounted by the lender pursuant to this subsection shall involve a principal obligation in excess of 80 per centum of the purchase price of the manufactured house or houses; have a maturity in excess of one hundred and eighty days from the date of the note or bear interest in excess of 4 per centum per annum; nor may the principal amount to such promissory notes, with respect to any individual principal loan, outstanding and unpaid at any one time, exceed in the aggregate an amount prescribed by the Secretary.

(2) The Secretary is authorized to include in any contract of insurance executed by him with respect to the insurance of a loan to finance the manufacture of houses, provisions to effectuate the insurance against any such losses under this subsection.

(3) The failure of the purchaser to make any payment due under or provided to be paid by the terms of any note or notes executed by the purchaser and accepted and discounted by the lender under the provisions of this subsection, shall be considered as a default under this subsection, and if such default continues for a period of thirty days, the lender shall be entitled to receive the benefits of the insurance, as provided in subsection (d) of this section except that debentures issued pursuant to this subsection shall have a face value equal to the unpaid principal balance of the loan plus interest at the rate of 4 per centum per annum from the date of default to the date the application is filed for the insurance benefits.

(4) Debentures issued with respect to the insurance granted under this subsection shall be issued in accordance with the provisions of section 604(d) except that such debentures shall be dated as of the date application is filed for the insurance benefits and shall bear interest from such date.

(5) The Secretary is authorized to fix a premium charge for the insurance granted under this subsection, in addition to the premium charge authorized under subsection (h) of this section. Such premium charge shall not exceed an amount equivalent to 1 per centum of the original principal of such promissory note or notes and shall be paid at such time and in such manner as may be prescribed by the Secretary.

SEC. 610. Notwithstanding any of the provisions of this title, the Secretary is authorized, upon application by the mortgagee, to insure or to make commitments to insure under section 603 or section 608 of this title any mortgage executed in connection with the sale by the Government, or any agency or official thereof, of any housing acquired or constructed under Public Law 849, Seventy-sixth Congress, as amended; Public Law 781, Seventy-sixth Congress, as amended; or Public Laws 9, 73, or 353, Seventy-seventh Congress, as amended (including any property acquired, held or constructed in connection with such housing or to serve the inhabitants thereof), without regard to—

(1) any limit as to the time when any mortgage may be insured under this title;

(2) any limit as to the aggregate amount of principal obligations of all mortgages insured under this title, but the aggregate amount of principal obligations of all mortgages insured pursuant to this section shall not exceed \$750,000,000;

(3) any requirement that the obligation be approved for mortgage insurance prior to the beginning of construction or that the construction be new construction;

(4) any of the provisions of section 603(b)(2) or section 603(b)(5) or paragraphs (B) and (C) of the first sentence of section 608(b)(3): *Provided*, That such mortgage shall (1) otherwise be eligible for insurance under section 603 or section 608, as the case may be, (2) have a maturity not exceeding twenty-five years from the date of insurance, (3) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding 90 per centum of the appraised value of the mortgaged property as determined by the Secretary, and (4) bear interest (exclusive of premium charges) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time if such mortgage covers property on which there is located a dwelling designed principally for residential use for not more than four families in the aggregate, irrespective of whether such dwelling or dwellings have a party wall or are otherwise physically connected with another dwelling or dwellings, or bear interest at not to exceed  $4\frac{1}{2}$  per centum per annum on the amount of the principal obligation outstanding at any time if such mortgage covers property upon which there is located a dwelling or dwellings designed principally for residential use for more than four families.

The Secretary is further authorized to insure or to make commitments to insure in accordance with the provisions of this section any mortgage executed in connection with the sale by the Secretary, or by



any public housing agency with the approval of the Secretary, of any housing (including any property acquired, held, or constructed in connection with such housing or to serve the inhabitants thereof) owned or financially assisted pursuant to the provisions of Public Law 671, Seventy-sixth Congress.

The Secretary is further authorized to insure or to make commitments to insure in accordance with the provisions of this section any mortgage executed in connection with the sale by the Government, or any agency or official thereof, of any of the so-called Greenbelt towns, or parts thereof, including projects, or parts thereof, known as Greenhills, Ohio; Greenbelt, Maryland; and Greendale, Wisconsin, developed under the Emergency Relief Appropriation Act of 1935, or of any of the village properties under the jurisdiction of the Tennessee Valley Authority, and any mortgage executed in connection with the first resale, within two years from the date of its acquisition from the Government, of any portion of a project or property of the character described in this section.

The Secretary is further authorized to insure or to make commitments to insure under section 608 of this title in accordance with the provisions of this section any mortgage executed in connection with the sale by a State or municipality, or an agency, instrumentality, or body politic of either, of any permanent housing (including any property acquired, held, or constructed in connection therewith or to serve the inhabitants thereof), constructed by or on behalf of such State, municipality, agency, instrumentality, or body politic, for the occupancy of veterans of World War II, their families, and others: *Provided*, That the principal obligation of any such mortgage does not exceed either 85 per centum of the appraised value of the mortgaged property as determined by the Secretary or \$8,100 per family unit for such part of such property as may be attributable to dwelling use.<sup>1</sup>

SEC. 611. (a) In addition to mortgages insured under other sections of this title, and in order to assist and encourage the application of cost-reduction techniques through large-scale modernized site construction of housing and the erection of houses produced by modern industrial processes, the Secretary is authorized to insure mortgages (including advances on such mortgages during construction) which are eligible for insurance as hereinafter provided.

(b) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to and be held by a mortgagee approved by the Secretary as responsible and able to service the mortgage property;

(2) cover property held by a mortgagor approved by the Secretary, upon which there is to be constructed or erected dwelling units for not less than twenty-five families consisting of a group of single-family dwellings approved by the Secretary for mortgage insurance prior to the beginning of construction: *Provided*, That during the course of construction there may be located upon the mortgaged property a plant for the fabrication

<sup>1</sup> This paragraph was added by sec. 14 of the Housing Act of 1952, Public Law 531, 82d Congress, approved July 14, 1952, 66 Stat. 601, 604.

or storage of such dwellings or sections or parts thereof, and the Secretary may consent to the removal or release of such plant from the lien of the mortgage upon such terms and conditions as he may approve;

(3) involve a principal obligation in an amount—

(A) not to exceed 85 per centum of the amount which the Secretary estimates will be the value of the completed property or project, exclusive of any plant of the character described in paragraph (2) of this subsection located thereon, and

(B) Not to exceed a sum computed on the individual dwelling comprising the total project as follows: \$5,950 or 85 per centum of the valuation, whichever is the lower amount, with respect to each single-family dwelling: *Provided*, That if the Secretary finds that it is not feasible, within the dollar amount limitation in clause (B) on the principal obligation of the mortgage, to construct dwellings containing three or four bedrooms without sacrifice of sound standards of construction, design, and livability, he may increase such dollar amount limitation by not exceeding \$850 for each additional bedroom (as defined by the Secretary) in excess of two contained in each such dwelling if he finds that such dwelling meets sound standards of design and livability as a three-bedroom unit or a four-bedroom unit, as the case may be, but the amount computed under clause (B) for each such dwelling shall not exceed, in any event, \$7,650.

With respect to the insurance of advances during construction, the Secretary is authorized to approve advances by the mortgagee to cover the cost of materials delivered upon the mortgaged property and labor performed in the fabrication or erection thereof;

(4) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe and shall bear interest (exclusive of premium charges for insurance) at not to exceed 4 per centum per annum on the amount of the principal obligation outstanding at any time: *Provided*, That the Secretary, with the approval of the Secretary of the Treasury, may prescribe by regulation a higher maximum rate of interest, not exceeding  $4\frac{1}{2}$  per centum per annum on the amount of the principal obligation outstanding at any time, if he finds that the mortgage market demands it. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release, and the mortgage may provide that, upon the completion of the construction of the project, such mortgage may be replaced by individual mortgages covering each individual dwelling in the project. Each such individual mortgage may be insured under this section with the mortgagor being either the builder who constructed the dwellings or the owner and occupant of the dwelling at the time, and where the mortgagor is the owner and occupant, may involve a principal obligation in such amount and have such maturity and

interest rate as a mortgage eligible for insurance under section 203(b)(2)(D) of this Act.

(c) Preference or priority of opportunity in the occupancy of the mortgaged property for veterans of World War II and their immediate families and for hardship cases as defined by the Secretary shall be provided under such regulations and procedures as may be prescribed by the Secretary.

(d) The provisions of subsections (c), (d), (e), and (f) of section 608 shall be applicable to mortgages insured under this section covering a project described in subsection (b) of this section, and the provisions of subsections (a), (b), (c), (d), (e), (f), and (h) of section 604 shall be applicable to the individual mortgages insured pursuant to subsection (b)(4) of this section covering individual dwellings in the project.

SEC. 612.<sup>1</sup> Notwithstanding any other provision of this title, no mortgage or loan shall be insured under any section of this title after the effective date of the Housing Act of 1954 except pursuant to a commitment to insure issued on or before such date.

## TITLE VII—INSURANCE FOR INVESTMENTS IN RENTAL HOUSING FOR FAMILIES OF MODERATE INCOME <sup>2</sup>

### AUTHORITY TO INSURE

SEC. 701. The purpose of this title is to supplement the existing systems of mortgage insurance for rental housing under this Act by a special system of insurance designed to encourage equity investment in rental housing at rents within the capacity of families of moderate income. To effectuate this purpose, the Secretary is authorized upon application by the investor, to insure as hereinafter provided, and, prior to the execution of insurance contracts and upon such terms as the Secretary shall prescribe, to make commitments to insure, the minimum annual amortization charge and an annual return on the outstanding investment of such investor in any project which is eligible for insurance as hereinafter provided in an amount (herein called the "insured annual return") equal to such rate of return, not exceeding 2¾ per centum per annum, on such outstanding investment as shall, after consultation with the Secretary of the Treasury, be fixed in the insurance contract or in the commitment to insure: *Provided*, That any insurance contract made pursuant to this title expire as of the first day of the operating year for which the outstanding investment amounts to not more than 10 per centum of the established investment.<sup>3</sup>

### ELIGIBILITY

SEC. 702. (a) To be eligible for insurance under this title, a project shall meet the following conditions:

<sup>1</sup> Sec. 612 was added by sec. 127 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 609. See also sec. 223 of the National Housing Act.

<sup>2</sup> Title VII was added to the National Housing Act by Public Law 901, 80th Congress, approved August 10, 1948, 62 Stat. 1268.

<sup>3</sup> Sec. 118, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 664, deleted " : And provided further, That the aggregate amount of contingent liabilities outstanding at any one time under insurance contracts and commitments to insure made pursuant to this title shall not exceed \$1,000,000,000."



(1) The Secretary shall be satisfied that there is, in the locality or metropolitan area of such project, a need for new rental dwellings at rents comparable to the rents proposed to be charged for the dwellings in such project.

(2) Such project shall be economically sound, and the dwellings in such project shall be acceptable to the Secretary as to quality, design, size, and type.

(b) Any insurance contract executed by the Secretary under this title shall be conclusive evidence of the eligibility of the project and the investor for such insurance, and the validity of any insurance contract so executed shall be incontestable in the hands of an investor from the date of the execution of such contract, except for fraud or misrepresentation on the part of such investor.

(c) After completion of the project the investor must establish in a manner satisfactory to the Secretary that the project is free and clear of liens and that there are no other outstanding unpaid obligations contracted in connection with the construction of the project, except taxes and such other liens and obligations as may be approved or prescribed by the Secretary. Debentures issued by the investor which are payable out of net income from the project and from the benefits of the insurance contract shall not be construed as "unpaid obligations" as such term is used in this subsection.

#### PREMIUMS AND FEES

SEC. 703. (a) For insurance granted pursuant to this title the Secretary shall fix and collect a premium charge in an amount not exceeding one-half of 1 per centum of the outstanding investment for the operating year for which such premium charge is payable without taking into account the excess earnings, if any, applied, in addition to the minimum annual amortization charge, to amortization of the outstanding investment. Such premium charge shall be payable annually in advance by the investor, either in case or in debentures issued by the Secretary under this title at par plus accrued interest: *Provided*, That, if in any operating year the gross income shall be less than the operating expenses, the premium charge payable during such operating year shall be waived, but only to the extent of the amount of the difference between such expenses and such income and subject to subsequent payment out of any excess earnings as hereinafter provided.

(b) With respect to any project offered for insurance under this title, the Secretary is authorized to charge and collect reasonable fees for examination, and for inspection during the construction of the project: *Provided*, That such fees shall not aggregate more than one-half of 1 per centum of the estimated investment.

#### RENTS

SEC. 704. The Secretary shall require that the rents for the dwellings in any project insured under this title shall be established in accordance with a rent schedule approved by the Secretary, and that the investor shall not charge or collect rents for any dwellings in the project in excess of the appropriate rents therefor as shown in the latest rent schedule approved pursuant to this section. Prior to approving the

initial or any subsequent rent schedule pursuant to this section, the Secretary shall find that such schedule affords reasonable assurance that the rents to be established thereunder are (1) not lower than necessary, together with all other income to be derived from or in connection with the project, to produce reasonably stable revenues sufficient to provide for the payment of the operating expenses, the minimum annual amortization charge, and the minimum annual return; and (2) not higher than necessary to meet the need for dwellings for families of moderate income.

#### EXCESS EARNINGS

SEC. 705. For all of the purposes of any insurance contract made pursuant to this title, 50 per centum of the excess earnings, if any, for any operating year may be applied, in addition to the minimum annual return, to return on the outstanding investment but only to the extent that such application thereof does not result in an annual return of more than 5 per centum of the outstanding investment for such operating year, and the balance of any such excess earnings shall be applied, in addition to the minimum annual amortization charge, to amortization of the outstanding investment: *Provided*, That if in any preceding operating years the gross income shall have been less than the operating expenses, such excess earnings shall be applied to the extent necessary in whole or in part, first, to the reimbursement of the amount of the difference between such expenses (exclusive of any premium charges previously waived hereunder) and such income, and, second, to the payment of any premium charges previously waived hereunder.

#### FINANCIAL STATEMENTS

SEC. 706. With respect to each project insured under this title, the Secretary shall provide that, after the close of each operating year, the investor shall submit to him for approval a financial and operating statement covering such operating year. If any such financial and operating statement shall not have been submitted or, for proper cause, shall not have been approved by the Secretary, payment of any claim submitted by the investor may, at the option of the Secretary, be withheld, in whole or in part, until such statement shall have been submitted and approved.

#### PAYMENT OF CLAIMS

SEC. 707. If in any operating year the net income of a project insured under this title is less than the aggregate of the minimum annual amortization charge and the insured annual return, the Secretary, upon submission by the investor of a claim for the payment of the amount of the difference between such net income and aggregate of the minimum annual amortization charge and the insured annual return and after proof of the validity of such claim, shall pay to the investor, in cash from the General Insurance Fund, the amount of such difference, as determined by the Secretary, but not exceeding, in any event, an amount equal to the aggregate of the minimum annual

amortization charge and the insured annual return. Nothing contained in this title or any other provision of law shall be construed as preventing or restricting an investor from assigning, pledging, or otherwise transferring or disposing of, subject to rules and regulations of the Secretary any or all rights, claims, or other benefits under any insurance contract made pursuant to this title to an assignee, pledgee, or other transferee, including the holders (or the trustee for such holders) of any debentures issued by the investor in connection with the project to which such insurance contract relates, and the Secretary is authorized to pay claims or issue debentures in accordance with the provisions of this section and section 708 of this title to any such assignee, pledgee, or other transferee.

#### DEBENTURES

SEC. 708. (a) If the aggregate of the amounts paid to the investor pursuant to section 707 hereof with respect to a project insured under this title shall at any time equal or exceed 15 per centum of the established investment, the Secretary thereafter shall have the right, after written notice to the investor of his intentions so to do, to acquire as of the first day of any operating year, such project in consideration of the issuance and delivery to the investor of debentures having a total face value equal to 90 per centum of the outstanding investment for such operating year. In any such case the investor shall be obligated to convey to said Secretary title to the project which meets the requirements of the rules and regulations of the Secretary in force at the time the insurance contract was executed and which is evidenced in the manner prescribed by such rules and regulations, and, in the event that the investor fails so to do, said Secretary may, at his option, terminate the insurance contract.

(b) If in any operating year the aggregate of the differences between the operating expenses (exclusive of any premium charges previously waived hereunder) and the gross income for the preceding operating years, less the aggregate of any deficits in such operating expenses reimbursed from excess earnings as hereinbefore provided, shall at any time equal or exceed 5 per centum of the established investment, the investor shall thereafter have the right, after written notice to the Secretary of his intentions so to do, to convey to the Secretary, as of the first day of any operating year, title to the project which meets the requirements of the rules and regulations of the Secretary in force at the time the insurance contract was executed and which is evidenced in the manner prescribed by such rules and regulations, and to receive from the Secretary debentures having a total face value equal to 90 per centum of the outstanding investment for such operating year.

(c) Any difference, not exceeding \$50, between 90 per centum of the outstanding investment for the operating year in which a project is acquired by the Secretary pursuant to this section and the total face value of the debentures to be issued and delivered to the investor pursuant to this section shall be adjusted by the payment of cash by the Secretary to the investor from the General Insurance Fund.

(d) Upon the acquisition of a project by the Secretary pursuant to this section, the insurance contract shall terminate.



(e) Debentures issued under this title to any investor shall be executed in the name of the General Insurance Fund as obligor, shall be signed by the Secretary, by either his written or engraved signature, and shall be negotiable. Such debentures shall be dated as of the first day of the operating year in which the project for which such debentures were issued was acquired by the Secretary, shall bear interest at a rate to be determined by the Secretary, with the approval of the Secretary of the Treasury, at the time the insurance contract was executed, but not to exceed  $2\frac{3}{4}$  per centum per annum, payable semi-annually on the 1st day of January and the 1st day of July of each year, and shall mature on the 1st day of July in such calendar year or years, not later than the fortieth following the date of the issuance thereof, as shall be determined by the Secretary and stated on the face of such debentures.

(f) Such debentures shall be in such form and in such denominations in multiples of \$50, shall be subject to such terms and conditions, and may include such provisions for redemption as shall be prescribed by the Secretary, with the approval of the Secretary of the Treasury, and may be issued in either coupon or registered form.

(g) Such debentures shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by any Territory, dependency, or possession of the United States, or by the District of Columbia, or by any State, county, municipality, or local taxing authority, shall be payable out of the General Insurance Fund, which shall be primarily liable therefor, and shall be fully and unconditionally guaranteed, as to both the principal thereof and the interest thereon, by the United States, and such guaranty shall be expressed on the face thereof. In the event that the General Insurance Fund fails to pay upon demand, when due, the principal of or the interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof, which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(h) Notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the General Insurance Fund, to pay out of said Fund all expenses or charges in connection with, and to deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for the management of, or establish suitable agencies for the management of, or sell for cash, or credit or lease in his discretion, in whole or in part, any project acquired pursuant to this title; and, notwithstanding any other provisions of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by, or assigned or transferred to him in connection with the acquisition or disposal of any project pursuant to this title: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of any project acquired pursuant to

this title if the amount of such purchase or contract does not exceed \$1,000..

#### TERMINATION

SEC. 709. The investor, after written notice to the Secretary of his intention so to do, may terminate, as of the close of any operating year, any insurance contract made pursuant to this title. The Secretary shall prescribe the events and conditions under which said Secretary shall have the option to terminate any insurance contract made pursuant to this title, and the events and conditions under which said Secretary may reinstate any insurance contract terminated pursuant to this section or section 708(a). If any insurance contract is terminated pursuant to this section, the Secretary may require the investor to pay an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges which such investor otherwise would have been required to pay if such insurance contract had not been so terminated.

#### INSURANCE FUND

SEC. 710.<sup>1</sup>

#### TAXATION PROVISIONS

SEC. 711. Nothing in this title shall be construed to exempt any real property acquired and held by the Secretary under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

#### RULES AND REGULATIONS

SEC. 712. The Secretary may make such rules and regulations as may be necessary or desirable to carry out the provisions of this title, including, without limiting the foregoing, rules and regulations relating to the maintenance by the investor of books, records, and accounts with respect to the project and the examination of such books, records, and accounts by representatives of the Secretary; the submission of financial and operating statements and the approval thereof; the submission of claims for payments under insurance contracts, the proof of the validity of such claims, and the payment or disallowance thereof; the increase of the established investment if the investor shall make capital improvements or additions to the project; the decrease of the established investment if the investor shall sell part of the project; and the reduction of the outstanding investment for the appropriate operating year or operating years pending the restoration of dwelling or nondwelling facilities damaged by fire or other casualty. With respect to any investor which is subject to supervision or regulation by a State banking, insurance, or other State department or agency, the Secretary may, in carrying out any of his supervisory and regulatory functions with respect to projects insured under this title, utilize, contract with, and act through, such department or agency and without regard to section 3709 of the Revised Statutes.

<sup>1</sup> Sec. 710 was repealed by sec. 1108(aa), Housing and Urban Development Act of 1965 Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.

## DEFINITIONS

SEC. 713. The following terms shall have the meanings, respectively, ascribed to them below, and, unless the context clearly indicates otherwise, shall include the plural as well as the singular number:

(a) "Investor" shall mean (1) any natural person; (2) any group of not more than ten natural persons; (3) any corporation, company, association, trust, or other legal entity; or (4) any combination of two or more corporations, companies, associations, trusts, or other legal entities, having all the powers necessary to comply with the requirements of this title, which the Secretary (i) shall find to be qualified by business experience and facilities, to afford assurance of the necessary continuity of long-term investment, and to have available the necessary capital required for long-term investment in the project, and (ii) shall approve as eligible for insurance under this title.

(b) "Project" shall mean a project (including all property, real and personal, contracts, rights, and choses in action acquired, owned, or held by the investor in connection therewith) of an investor designed and used primarily for the purpose of providing dwellings the occupancy of which is permitted by the investor in consideration of agreed charges: *Provided*, That nothing in this title shall be construed as prohibiting the inclusion in a project of such stores, offices, or other commercial facilities, recreational or community facilities, or other nondwelling facilities as the Secretary shall determine to be necessary or desirable appurtenances to such project.

(c) "Estimated investment" shall mean the estimated cost of the development of the project, as stated in the application submitted to the Secretary for insurance under this title.

(d) "Established investment" shall mean the amount of the reasonable costs, as approved by the Secretary, incurred by the investor in, and necessary for, carrying out all works and undertakings for the development of a project and shall include the premium charge for the first operating year and cost of all necessary surveys, plans and specifications, architectural, engineering, or other special services, land acquisition, site preparation, construction, and equipment; a reasonable return on the funds of the investor paid out in the course of the development of the project, up to and including the initial occupancy date; necessary expenses in connection with the initial occupancy of the project; and the cost of such other items as the Secretary shall determine to be necessary for the development of the project, (1) less the amount by which the rents and revenues derived from the project up to and including the initial occupancy date exceeded the reasonable and proper expenses, as approved by the Secretary, incurred by the investor in, and necessary for, operating and maintaining said project up to and including the initial occupancy date, or (2) plus the amount by which such expenses exceeded such rents and revenues, as the case may be.

(e) "Physical completion date" shall mean the last day of the calendar month in which the Secretary determines that the construction of the project is substantially completed and substantially all of the dwellings therein are available for occupancy.



(f) "Initial occupancy date" shall mean the last day of the calendar month in which 90 per centum in number of the dwellings in the project on the physical completion date shall have been occupied, but shall in no event be later than the last day of the sixth calendar month next following the physical completion date.

(g) "Operating year" shall mean the period of twelve consecutive calendar months next following the initial occupancy date and each succeeding period of twelve consecutive calendar months, and the period of the first twelve consecutive calendar months next following the initial occupancy date shall be the first operating year.

(h) "Gross income" for any operating year shall mean the total rents and revenues and other income derived from, or in connection with, the project during such operating year.

(i) "Operating expenses" for any operating year shall mean the amounts, as approved by the Secretary, necessary to meet the reasonable and proper costs of, and to provide for, operating and maintaining the project, and to establish and maintain reasonable and proper reserves for repairs, maintenance, and replacements, and other necessary reserves during such operating year, and shall include necessary expenses for real estate taxes, special assessment, premium charges made pursuant to this title, administrative expenses, the annual rental under any lease pursuant to which the real property comprising the site of the project is held by the investor, and insurance charges, together with such other expenses as the Secretary shall determine to be necessary for the proper operation and maintenance of the project, but shall not include income taxes.

(j) "Net income" for any operating year shall mean gross income remaining after the payment of the operating expenses.

(k) "Minimum annual amortization charge" shall mean an amount equal to 2 per centum of the established investment, except that, in the case of a project where the real property comprising the site thereof is held by the investor under a lease, if (notwithstanding the proviso of section 703(a) hereof) the gross income for any operating year shall be less than the amount required to pay the operating expenses (including the annual rental under such lease), the minimum annual amortization charge for such operating year shall mean an amount equal to 2 per centum of the established investment plus the amount of the annual rental under such lease to the extent that the same is not paid from the gross income.

(l) "Annual return" for any operating year shall mean the net income remaining after the payment of the minimum annual amortization charge.

(m) "Insured annual return" shall have the meaning ascribed to it in section 701 hereof.

(n) "Minimum annual return" for any operating year shall mean an amount equal to  $3\frac{1}{2}$  per centum of the outstanding investment for such operating year or such lesser amount as shall be agreed upon by the investor and the Secretary.

(o) "Excess earnings" for any operating year shall mean the net income derived from a project in excess of the minimum annual amortization charge and the minimum annual return and income taxes.

(p) "Outstanding investment" for any operating year shall mean the established investment, less an amount equal to (1) the aggregate of the minimum annual amortization charge for each preceding operating year, plus (2) the aggregate of the excess earnings, if any, during each preceding operating year applied, in addition to the minimum annual amortization charge, to amortization in accordance with the provisions of section 705 hereof.

(q) "State" shall include the several States and <sup>1</sup> Puerto Rico, the District of Columbia, Guam, and the Virgin Islands.

## TITLE VIII—ARMED SERVICES HOUSING MORTGAGE <sup>2</sup> INSURANCE

SEC. 801. As used in this title—

(a) The term "mortgage" means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable; or (2) under a lease for a period of not less than fifty years to run from the date the mortgage was executed; and the term "first mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(b) The term "mortgagee" includes the original lender under a mortgage, and his successors and assigns approved by the Secretary; and the term "mortgagor" includes the original borrower under a mortgage, his successors and assigns.

(c) The term "maturity date" means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

(d) The term "housing accommodations" means housing designed for occupancy by military personnel and their dependents, assigned to duty at or near the military installation where such housing units are constructed.

(e) The term "personnel" shall include military and civilian personnel approved by the Secretary of Defense, or his designee, and the dependents of all such personnel.

(f) The term "military" includes Army, Navy, Marine Corps, Air Force, and Coast Guard.

(g) The term "State" includes the several States and <sup>3</sup> Puerto Rico, the District of Columbia, Guam, the Virgin Islands, the Canal Zone, and Midway Island.<sup>4</sup>

<sup>1</sup> Sec. 10(a), Alaska Omnibus Act, Public Law 86-70, approved June 25, 1959, 73 Stat. 141, 142 deleted "Alaska," and sec. 6, Hawaii Omnibus Act, Public Law 86-624, approved July 12, 1960, 74 Stat. 411, deleted "Hawaii".

<sup>2</sup> Sec. 401 of the Housing Amendment of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 646, enacted this new title VIII of the National Housing Act (the "Capehart Act"). Sec. 408 of the Housing Amendments of 1955 provided that "Notwithstanding the provisions of section 401 of this Act, the provisions of title VIII of the National Housing Act in effect prior to the enactment of the Housing Amendments of 1955 shall continue in full force and effect with respect to all mortgages insured pursuant to a certification by the Secretary of Defense or his designee made on or before June 30, 1955, and a commitment to insure issued on or before June 30, 1956, or pursuant to a certification by the Atomic Energy Commission or its designee made on or before June 30, 1956, except that the maximum dollar amount for each such mortgage shall be \$12,500,000."

<sup>3</sup> Sec. 10(a), Alaska Omnibus Act, Public Law 86-70, approved June 25, 1959, 73 Stat. 141, 142, deleted "Alaska," and sec. 6, Hawaii Omnibus Act, Public Law 86-624, approved July 12, 1960, 74 Stat. 411, deleted "Hawaii".

<sup>4</sup> Amended by sec. 501 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1109, to include Midway Island and the Canal Zone.



SEC. 802.<sup>1</sup>

SEC. 803. (a) In order to assist in relieving the acute shortage and urgent need for family housing which now exists at or in areas adjacent to military installations because of uncertainty as to the permanency of such installations and to increase the supply of necessary family housing accommodations for personnel at such installations, the Secretary is authorized, upon application of the mortgagee, to insure mortgages (including advances on such mortgages during construction) which are eligible for insurance as hereinafter provided, and, upon such terms as the Secretary may prescribe, to make commitments for so insuring such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the aggregate amount of principal obligations of all mortgages insured under this title (except mortgages insured pursuant to the provisions of this title in effect prior to the enactment of the Housing Amendments of 1955) shall not exceed \$2,300,000,000;<sup>2</sup> *And provided further*, That the limitation in section 217 of this Act shall not apply to this title: *And provided further*,<sup>3</sup> That no more mortgages shall be insured under this section after October 1, 1962,<sup>4</sup> except pursuant to a commitment to insure before such date, and not more than twenty-eight<sup>4</sup> thousand family housing units shall be contracted for after June 30, 1959, pursuant to any mortgage insured under this section after such date.

(b) To be eligible for insurance under this title a mortgage shall meet the following conditions:

(1) The mortgaged property shall be held by a mortgagor approved by the Secretary. The Secretary may, in his discretion, require such mortgagor to be regulated or restricted as to capital structure, and methods of operation. The Secretary may make such contracts with, and acquire for not to exceed \$100 stock or interest in, any such mortgagor, as the Secretary may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgaged property shall be designed for use for residential purposes by personnel of the armed services and situated at or near

<sup>1</sup> Sec. 802 repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.

<sup>2</sup> Sec. 503 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1109, substituted "\$2,300,000,000" for "\$1,363,500,000".

<sup>3</sup> Sec. 414 of the Military Construction Act of 1959, Public Law 86-149, approved August 10, 1959, 73 Stat. 302, 322, inserted this proviso and further provided as follows:

"Notwithstanding the authorizations for the construction of family housing contained in subsections 104(b), 204(b), and 304(b), of this Act, the total number of units of family housing contracted for after June 30, 1959, and before October 1, 1960, pursuant to the authority contained in such subsections shall not exceed a total of twenty thousand units. The Secretary of Defense shall determine the total number of units to be constructed by each of the military services in conformity with the provisions of this section. The Secretaries of the three military departments, or the designee of each, shall promptly notify the Committees on Armed Services of the Senate and House of Representatives of any determination made hereunder as it affects each such department".

The proviso was amended by sec. 1 of Public Law 87-623, approved August 31, 1962, 76 Stat. 418, to make the termination of insurance authority applicable to sec. 803 rather than to title VIII as originally provided.

<sup>4</sup> Sec. 607(a), Military Construction Act of 1961, Public Law 87-57, approved June 27, 1961, 75 Stat. 96, 111, and sec. 604(d), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 177, each substituted "October 1, 1962" for "October 1, 1961" and "twenty-eight" for "twenty-five".

Sec. 607(b), Military Construction Act of 1961, Public Law 87-57, approved June 27, 1961, 75 Stat. 96, 111, authorized the military departments "to contract for the construction of three thousand housing units under section 803 of the National Housing Act as amended, at such locations as may be designated by the Secretary of Defense, except that three hundred of such three thousand units shall be designated for Naval Base, Norfolk, Virginia."



a military installation, and the Secretary of Defense or his designee shall have certified that there is no intention, so far as can reasonably be foreseen, to substantially curtail the personnel assigned or to be assigned to such installation, and (i) shall have determined that for reasons of safety, security, or other essential military requirements, it is necessary that the personnel involved reside in public quarters *Provided, however,* That for the purposes of this subsection housing covered by a mortgage insured, or for which a commitment to insure has been issued, under section 803 prior to the enactment of the "Housing Amendments of 1955" may be considered the same as available quarters, and (ii) with the approval of the Secretary, shall have determined that adequate housing is not available for such personnel at reasonable rentals within reasonable commuting distance of the installation and that the mortgaged property will not, so far as can reasonably be foreseen, substantially curtail occupancy in existing housing covered by mortgages insured under this Act. The housing accommodations shall comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of such property for mortgage insurance, except that the certification of the Secretary of Defense or his designee shall (for purposes of mortgage insurance under this title) be conclusive evidence to the Secretary of the existence of the need for such housing. However, if the Secretary does not concur in the housing needs as certified by the Secretary of Defense, the Secretary may require the Secretary of Defense to guarantee the General Insurance Fund against loss with respect to the mortgage covering such housing. The Secretary shall report to the Committees on Banking and Currency of the Senate and the House of Representatives each instance in which he has required the Secretary of Defense to guarantee the General Insurance Fund, with reasons therefor. There are hereby authorized to be appropriated such sums as may be necessary to provide for payment to meet losses arising from such guaranty.

(3) The mortgage shall involve a principal obligation in an amount—

(A) not to exceed the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the cost of the property or project as such term is used in this paragraph may include the cost of the land, the physical improvements, and utilities within the boundaries of the property or project);

(B) not to exceed an average of \$16,500<sup>1</sup> per family unit for such part of such property or project (including<sup>2</sup> ranges, refrigerators, shades, screens, and fixtures) as may be attributable to dwelling use: *Provided*, That the replacement cost of the property or project as determined by the Secretary, including the estimated value of any usable utilities within the boundaries of the property or project where owned by the United States and not provided for out of the proceeds of the mortgage, shall not exceed an average of \$16,500 per family unit: *Provided further*,<sup>3</sup> That should the financing of housing to be

<sup>1</sup> Increased from \$13,500 to \$16,500 by sec. 505 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1109.

<sup>2</sup> Language in this parenthesis inserted by sec. 505 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1109.

<sup>3</sup> This proviso added by sec. 502 of the Housing Act of 1957, Public Law 85-104, 85th Congress, approved July 12, 1957, 71 Stat. 294, 303.

constructed pursuant to a single invitation for bids be accomplished by two or more mortgages, the principal obligation of any single mortgage may exceed an average of \$16,500 per family unit if the sum of the principal obligations of all mortgages for such housing does not exceed an average of \$16,500 per family unit: *And provided further*,<sup>1</sup> That subject to the limitations of this paragraph no family unit included in any mortgaged property shall be contracted for after the date of enactment of the Military Construction Act of 1960<sup>2</sup> if the cost of such unit exceeds \$19,800; and

(C) not to exceed the bid of the eligible bidder with respect to the property or project under section 403 of the Housing Amendments of 1955.

The mortgage shall provide for complete amortization by periodic payments within such terms as the Secretary shall prescribe, but<sup>3</sup> not to exceed thirty years from the beginning of amortization of the mortgage, and shall bear interest (exclusive of premium charges for insurance) at not to exceed  $4\frac{1}{2}$ <sup>4</sup> per centum per annum of the amount of the principal obligation outstanding at any time. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. The<sup>5</sup> property or project may include such nondwelling facilities as the Secretary deems adequate to serve the occupants.

(c) The Secretary is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to  $1\frac{1}{2}$  per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Secretary under this title at par plus accrued interest, in such manner as may be prescribed by the Secretary: *Provided*, That the Secretary may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Secretary finds, upon the presentation of a mortgage for insurance and the tender of the initial premium charge and such other charges as the Secretary may require, that the mortgage complies with the provisions of this title, such mortgage may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe. In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is authorized

<sup>1</sup> This proviso added by sec. 507(c) of the Military Construction Act of 1960, Public Law 86-500, approved June 8, 1960, 74 Stat. 166, 186.

<sup>2</sup> June 8, 1960.

<sup>3</sup> Sec. 701(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 682, substituted "but not to exceed thirty years from the beginning of amortization of the mortgage" for "have a maturity not to exceed twenty-five years."

<sup>4</sup> Sec. 3(b), Public Law 85-364, approved April 1, 1958, 72 Stat. 73, substituted " $4\frac{1}{2}$ " for "4."

<sup>5</sup> Sec. 701(c), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 682, added this last sentence.



to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid. The Secretary may reduce the payment of premiums provided for herein. The<sup>1</sup> Secretary is further authorized to reduce the amount of the premium charge below one-half of 1 per centum per annum with respect to any mortgage on property acquired by the Secretary of Defense or his designee if the mortgage is insured pursuant to the provisions of this title as in effect prior to August 11, 1955.

(d) The failure of the mortgagee to make any payment due under or provided to be paid by the terms of a mortgage insured under this title shall be considered a default under such mortgage, and, if such default continues for a period of thirty days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Secretary, within a period and in accordance with rules and regulations to be prescribed by the Secretary of (1) all rights and interest arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transactions; (3) all policies of title or other insurance or surety bonds or other guaranties and any and all claims thereunder; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled, as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery, the obligation of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Secretary shall, subject to the cash adjustment provided for in subsection (e) of this section, issue to the mortgagee debentures having a total face value equal to the value of the mortgage, and a certificate of claim as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of default, the amount the mortgagee may have paid for (A) taxes, special assessments, and water rates, which are liens prior to the mortgage; (B) insurance on the property; and (C) reasonable expenses for the completion and preservation of the property and any mortgage insurance premiums paid after default; less the sum of (i) any amount received on account of the mortgage after such date; and (ii) any net income received by the mortgagee from the property after such date.

(e) Debentures issued under this title shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any

<sup>1</sup> Sec. 701(d), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 682, added this last sentence.



difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued not to exceed \$50, shall be adjusted by the payment of cash by the Secretary to the mortgagee from the General Insurance Fund.

(f) Debentures issued under this title shall be executed in the name of the General Insurance Fund as obligor, shall be signed by the Secretary, by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date of default as determined in accordance with subsection (d) of this section, and shall bear interest from such date at a rate established<sup>1</sup> by the Secretary pursuant to section 224, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature twenty years after the date thereof. Such debentures shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by any Territory, dependency, or possession of the United States or by the District of Columbia, or by any State, county, municipality, or local taxing authority. They shall be paid out of the General Insurance Fund, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event the General Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(g) The certificate of claim issued by the Secretary to any mortgagee in connection with the insurance of mortgages under this title shall be for an amount determined in accordance with subsections (e) and (f) of section 604 of this Act, except that any amount remaining after the payment of the full amount under the certificate of claim shall be retained by the Secretary and credited to the General Insurance Fund.

(h) The provisions of section 207(k) and section 207(l) of this Act shall be applicable to mortgages insured under this title and to property acquired by the Secretary hereunder, except that, as applied to such mortgages and property, the reference in section 207(k) to subsection (g) shall be construed to refer to subsection (d) of this section.

(i) The Secretary shall also have power to insure under this title or title II any mortgage executed in connection with the sale by him of any property acquired under this title without regard to any limit as to eligibility, time or aggregate amount contained in this title or title II.

(j) Any contract of insurance executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage

<sup>1</sup> Sec. 108(c) of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 297, substituted "established by the Commissioner pursuant to section 224," for "determined by the Commissioner with the approval of the Secretary of the Treasury, at the time the mortgage was accepted for insurance, but not to exceed 3 per centum per annum."

for insurance and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

(k)<sup>1</sup> The Secretary shall not insure any mortgage under this section unless the principal contractor or contractors engaged in the construction of the project involved file a certificate or certificates (at such times, in the course of construction or otherwise, as the Secretary may prescribe) certifying that the laborers and mechanics employed in the construction of such project have been paid not less than one and one-half times the regular rate of pay for employment in excess of eight hours in any one day or in excess of forty hours in any one week.

SEC. 804.<sup>2</sup>

SEC. 805. Whenever the Secretary of the Army, Navy, or Air Force determines that it is necessary to lease any land held by the United States on or near a military installation to effectuate the purposes of this title, he may lease such land upon such terms and conditions as will, in his opinion, best serve the national interest. The authority conferred by this section shall be in addition to and not in derogation of any other power or authority of the Secretary of the Army, Navy, or Air Force.

SEC. 806. The second sentence of section 214 of the National Housing Act, as amended, relating to housing in the State<sup>3</sup> of Alaska, shall not apply to mortgages insured under this title on property in said State.<sup>3</sup>

SEC. 807. The Secretary is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.

SEC. 808. Except<sup>4</sup> in the case of mortgages on multifamily rental housing projects insured under section 810, the cost certification required under section 227 of this Act shall not be required with respect to mortgages insured under the provisions of this title as amended by the Housing Amendments of 1955.<sup>5</sup>

SEC. 809.<sup>6</sup> (a) Notwithstanding any other provisions of this title and in addition to mortgages insured under section 803, the Secretary may insure any mortgage under this section which meets the eligibility requirements set forth in section 203(b) of this Act: *Provided*, That a mortgage insured under this section shall have been executed by a mortgagor who at the time of insurance is the owner of the property and either occupies the property or certifies that his failure to do so is the result of a change in his employment by the

<sup>1</sup> Sec. 701(e), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 682, added subsec. (k).

<sup>2</sup> Sec. 804 was repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.

<sup>3</sup> Sec. 10(a), Alaska Omnibus Act, Public Law 86-70, approved June 25, 1959, 73 Stat. 141, 142, substituted "State" for "Territory".

<sup>4</sup> Sec. 704(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 686, added "Except in the case of mortgages on multifamily rental housing projects insured under section 810."

<sup>5</sup> Sec. 4 of Public Law 216, 84th Congress, approved August 3, 1955, 69 Stat. 448, amended the Renegotiation Act of 1951 to provide for renegotiation of any contract awarded for the construction of housing financed with a mortgage or mortgages insured under the provisions of title VIII, as amended.

<sup>6</sup> Sec. 809 added by Public Law 574, 84th Congress, approved June 13, 1956, 70 Stat. 273.



Armed Forces or a contractor thereof and to whom the Secretary of Defense or his designee has issued a certificate indicating that such person requires housing and is at the date of the certificate a civilian employee at a research or development installation of one of the military departments of the United States or a contractor thereof and is considered by such military department to be an essential, nontemporary employee at such date. Such certificate shall be conclusive evidence to the Secretary of the employment status of the mortgagor and of the mortgagor's need for housing.

(b) No mortgage shall be insured under this section unless the Secretary of Defense or his designee shall have certified to the Secretary that the housing is necessary to provide adequate housing for such civilians employed in connection with such a research or development installation and that there is no present intention to substantially curtail the number of such civilian personnel assigned or to be assigned to such installation. Such certification shall be conclusive evidence to the Secretary of the need for such housing but if the Secretary determines that insurance of mortgages on such housing is not an acceptable risk, he may require the Secretary of Defense to guarantee the General Insurance Fund from loss with respect to mortgages insured pursuant to this section: *Provided*,<sup>1</sup> That the Secretary shall relieve the Secretary of Defense from any obligation to guarantee the General Insurance Fund from loss with respect to a mortgage assumed by a person ineligible to receive a certificate under subsection (a), if the original mortgagor is issued another certificate with respect to a mortgage insured under this section on property which the Secretary determines is not an acceptable risk. There are hereby authorized to be appropriated such sums as may be necessary to provide for payment to meet losses arising from such guaranty.

(c) The Secretary may accept any mortgage for insurance under this section without regard to any requirement in any other section of this Act, that the project or property be economically sound or an acceptable risk.

(d) Any mortgagee under a mortgage insured under this section is entitled to the benefits of insurance as provided in section 204(a) with respect to mortgages insured under section 203.

(e) The provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k)<sup>2</sup> of section 204 shall apply to mortgages insured under this section except that as applicable to those mortgages: (1) all references to the "Fund" or "Mutual Mortgage Insurance Fund" shall refer to the "General Insurance Fund" and (2) all references to section 203 shall refer to this section.

(f) The provisions of sections 801, 802, 803(c), 803(i), 803(j), 804(a), 804(b), and 807 and the provisions of section 803(a) relating to the aggregate amount of all mortgages insured under this title, shall be applicable to mortgages insured under this section. No more mortgages shall be insured under this section after September 30,

<sup>1</sup> This proviso added by sec. 112. Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1772.

<sup>2</sup> Sec. 116(b). Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 664, added "(k)".



1979,<sup>1</sup> except pursuant to a commitment to insure before such date.

(g)<sup>2</sup> (1) A mortgage secured by property which is intended to provide housing for a person (i) employed or assigned to duty at or in connection with any research or development installation of the National Aeronautics and Space Administration and which is located at or near such installation, or (ii) employed at any research or development installation of the Atomic Energy Commission and which is located at or near such installation, may (if the mortgage otherwise meets the requirements of this section) be insured by the Secretary under the provisions of this section. The Administrator of the National Aeronautics and Space Administration (or his designee), in the case of any mortgage secured by property intended to provide housing for any person employed or assigned to duty at any such installation of the National Aeronautics and Space Administration, or the Chairman of the Atomic Energy Commission (or his designee), in the case of any mortgage secured by property intended to provide housing for any person employed at such installation of the Atomic Energy Commission, is authorized to guarantee and indemnify the General Insurance Fund against loss to the extent required by the Secretary, in accordance with the provisions of subsection (b) of this section.

(2) For purpose of this subsection—

(i) The terms “Armed Forces”, “one of the military departments of the United States”, “military department”, “Secretary of Defense or his designee”, and “Secretary”, when used in subsections (a) and (b) of this section, shall be deemed to refer to the National Aeronautics and Space Administration (or the Administrator thereof), or the Atomic Energy Commission (or the Chairman thereof), as may be appropriate;

(ii) The term “Secretary of the Army, Navy, or Air Force”, when used in section 805, shall be deemed to refer to the National Aeronautics and Space Administration or the Administrator thereof, as may be appropriate;

<sup>1</sup> Sec. 2 of Public Law 87-623, approved August 31, 1962, 76 Stat. 418, extended for 1 year to October 1, 1963, the insurance authority under sec. 809, and sec. 1 of Public Law 88-127, approved September 23, 1963, 77 Stat. 163, extended for 2 years to October 1, 1965, the insurance authority under sec. 809, and sec. 202(c), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466, extended this authority for 4 years to October 1, 1969. Sec. 2(d) of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, extended this authority to January 1, 1970, and sec. 101(f), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, further extended this authority to October 1, 1970. Thereafter this authority was extended as follows: (1) To November 1, 1970, by sec. 1(d) of Public Law 91-432, approved October 2, 1970, 84 Stat. 866; (2) to December 1, 1970, by sec. 1(d) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064; (3) to January 1, 1971, by sec. 1(d) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384; (4) to October 1, 1972, by sec. 101(f), Housing and Urban Development Act of 1970. Public Law 91-609, approved December 31, 1970, 84 Stat. 1770; (5) to June 30, 1973, by sec. 1(f) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906; (6) to October 1, 1973, by sec. 1(f) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; (7) to October 1, 1974, by sec. 1(f) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421; and (8) Sec. 316(d) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted “June 30, 1977” for “October 1, 1974”.

Public Law 95-60, approved June 30, 1977, extended the date from June 30, 1977 to July 31, 1977; Public Law 95-80, approved July 3, 1977, further extended the date from July 31, 1977 to September 30, 1977; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted “September 30, 1977” and inserted in lieu thereof “September 30, 1978”. This was further amended by Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> This subsection added by Public Law 86-578, approved July 5, 1960, 74 Stat. 314, to make the sec. 809 program available to essential civilian employees at installations transferred from the Department of Defense to the National Aeronautics and Space Administration, and amended by Public Law 86-774, approved September 13, 1960, 74 Stat. 914, 915, to make the sec. 809 program available to such employees of the Atomic Energy Commission in Los Alamos, New Mexico, Public Law 88-127, approved September 23, 1963, 77 Stat. 163 further amended this subsection to make the sec. 809 program available to any research or development installation of the National Aeronautics and Space Administration and the Atomic Energy Commission.

(iii) The terms "civilian employee", "civilians", and "civilian personnel", as used in this section, shall be deemed to refer to (A) employees of the National Aeronautics and Space Administration or a contractor thereof or to military personnel assigned to duty at an installation of the National Aeronautics and Space Administration, or (B)<sup>1</sup> persons employed at or in connection with any research or development installation of the Atomic Energy Commission, as the case may be; and

(iv) The term "military installation" when used in section 805 shall be deemed to refer to an installation of the National Aeronautics and Space Administration.

SEC. 810.<sup>2</sup> (a) Notwithstanding any other provision of this title, the Secretary may insure and make commitments to insure any mortgage under this section<sup>3</sup> which meets the eligibility requirements hereinafter set forth.

(b) No mortgage shall be insured under this section unless<sup>4</sup> (1)<sup>5</sup> the housing which is covered by the insured mortgage is necessary in the interest of national security in order to provide adequate housing for (A) military personnel and essential civilian personnel serving or employed in connection with any installation of one of the armed services of the United States, or (B) essential personnel employed or assigned to duty at or in connection with any research or development installation of the National Aeronautics and Space Administration or of the Atomic Energy Commission, (2) there is no present intention to curtail substantially the number of such personnel assigned or to be assigned to the installation, (3) adequate housing is not available for such personnel at reasonable rentals within reasonable commuting distances of such installations, and (4) the mortgaged property will not so far as can be reasonably foreseen substantially curtail occupancy in any existing housing in the vicinity of the installation which is covered by mortgages insured under this Act.<sup>6</sup>

(c) The Secretary may accept any mortgage for insurance under this section without regard to any requirement in any other section of this Act that the property or project be economically sound.

(d) The Secretary shall require each project covered by a mortgage insured under this section to be held for rental for a period of not less than five years after the project or dwelling is made available for initial occupancy or until<sup>7</sup> he finds that the housing may be

<sup>1</sup> Sec. 1 of Public Law 88-127, approved September 23, 1963, 77 Stat. 163, amended clause (B) by substituting "persons employed at or in connection with any research or development installation of the Atomic Energy Commission" for "persons employed in connection with the Atomic Energy Commission's installation at Los Alamos, New Mexico".

<sup>2</sup> Sec. 704(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 683, added sec. 810.

<sup>3</sup> Sec. 42 U.S.C. 1594i limiting sec. 810 housing to units specifically authorized by an annual military construction authorization act.

<sup>4</sup> Sec. 611(a)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, deleted the words "the Secretary of Defense or his designee shall have certified to the Commissioner that".

<sup>5</sup> Sec. 2 of Public Law 88-127, approved September 23, 1963, 77 Stat. 163, extended the sec. 810 program (formerly limited to military installations) to any research or development installation of the National Aeronautics and Space Administration and the Atomic Energy Commission.

<sup>6</sup> Sec. 611(a)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, deleted the last sentence of paragraph (b) which read: "Any such certificate issued by the Secretary of Defense or his designee shall be conclusive evidence to the Commissioner of the eligibility of the mortgage for insurance in accordance with the requirements of this subsection".

<sup>7</sup> Sec. 611(a)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, substituted the words "until he finds" for the words "until advised by the Secretary of Defense or his designee".



released from such rental condition. The Secretary shall prescribe such procedures as in his judgment are necessary to secure reasonable preference or priority in the sale or rental of dwellings covered by a mortgage insured under this section for military personnel and essential civilian employees of the armed services, employees of contractors for the armed services<sup>1</sup> and persons described in clause (1)(B) of subsection (b) of this section.

(e) For the purpose of providing multifamily rental housing projects or housing projects consisting of individual single-family dwellings for sale, the Secretary is authorized to insure mortgages (including advances on such mortgages during construction) which cover property held by a mortgagor<sup>2</sup> approved by the Secretary. Any such mortgagor shall possess powers necessary therefor and incidental thereto and shall until the termination of all obligations of the Secretary under such insurance be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Secretary may make such contracts with, and acquire for not to exceed \$100 such stock or interest in, any such mortgagor<sup>3</sup> as he may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(f) To be eligible for insurance under this section, a mortgage on any multifamily rental property or project shall involve a principal obligation in an amount<sup>4</sup> not to exceed, for such part of such property or project as may be attributable to dwelling use, \$9,000 per family unit without a bedroom, \$12,500 per family unit with one bedroom, \$15,000 per family unit with two bedrooms, and \$18,500 per family unit with three or more bedrooms<sup>5</sup> and not to exceed 90 per centum of the estimated value of the property or project when the proposed physical improvements are completed. The<sup>6</sup> Secretary may, by regu-

<sup>1</sup> Sec. 611(a)(2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, deleted "as evidenced by certification issued by the Secretary of Defense or his designee. Such certificate shall be conclusive evidence to the Commissioner of the employment status of the person requiring housing and of such person's need for the housing." Sec. 2 of Public Law 88-127, approved September 23, 1963, 77 Stat. 163, added the remainder of this sentence.

<sup>2</sup> Sec. 1722(f), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 611, substituted "mortgagor approved by the Secretary" for "private corporation, association, cooperative society, or trust."

<sup>3</sup> Sec. 1722(f), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 611, substituted "mortgagor" for "corporation, association, cooperative society, or trust."

<sup>4</sup> Sec. 304(1)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, delete the words "(1) not to exceed \$5,000,000 or (2)".

<sup>5</sup> Sec. 107(f)(1), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 776, deleted the previous per room limits in this clause (2) and substituted dollar amount limitations based on the number of family units in the project with the dollar amount limitations varying according to the number of bedrooms in each unit. Prior to this amendment the dollar amount limitations in this clause (2) read as follows: "\$2,500 per room (or \$9,000 per family unit if the number of rooms in such property or project is less than four per family unit)."

<sup>6</sup> Sec. 107(g), Housing Act of 1964, permitted application to projects under consideration at the time of its enactment (September 2, 1964) the dollar limitations per room existing prior to enactment of the Act if determined that it would be inequitable to apply the new limitations.

<sup>7</sup> Sec. 107(f)(2), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 776, amended this sentence to read as set forth in the text. Prior to this amendment this sentence read as follows: "The Commissioner may increase any of the foregoing dollar amount limitations per room contained in this paragraph by not to exceed \$1,000 per room in any geographical area where he finds that cost levels so require."



lation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed 45 per centum in any geographical area where he finds that cost levels so require.

(g) To be eligible for insurance under this section a mortgage on any property or project constructed for eventual sale or single-family dwellings, shall involve a principal obligation in an amount<sup>1</sup> not to exceed a sum computed on the basis of a separate mortgage for each single-family dwelling (irrespective of whether such dwelling has a party wall or is otherwise physically connected with another dwelling or dwellings) comprising the property or project equal to the total of each of the maximum principal obligations of such mortgages which would meet the requirements of section 203(b)(2) of this Act if the mortgagor were the owner and occupant who had made the required payment on account of the property prescribed in such paragraph.

(h) Any mortgage insured under this section shall provide for complete amortization by periodic payments within such terms as the Secretary may prescribe but not to exceed the maximum term applicable to mortgages under section 207 of this Act and shall bear interest (exclusive of premium charges for insurance) at not to exceed the rate applicable to mortgages insured under section 207, except that individual mortgages of the character described in subsection (g) covering the individual dwellings in the project may have a term not in excess of the maximum term applicable to mortgages insured under section 203 of this Act or the unexpired term of the project mortgage at the time of the release of the mortgaged property from such project mortgage, whichever is the greater, and shall bear interest at not to exceed the rate applicable to mortgages insured under section 203. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release, and a mortgage of the character described in subsection (g) of this section may provide that, at any time after the release of the project from the rental period prescribed by subsection (d), such mortgage may be replaced, in whole or in part, by individual mortgages covering each individual dwelling in the project in amounts not to exceed the unpaid balance of the blanket mortgage allocable to the individual property. Each such individual mortgage may be insured under this section. Property covered by a mortgage insured under this section may include eight or more family units and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants.

(i) The aggregate number of dwelling units (including all units in multifamily projects or individual dwellings) covered by outstanding commitments to insure and mortgages insured under this section shall at no time exceed five thousand dwelling units.

(j) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 of this title shall be applicable to mortgages insured under this section except individual mortgages of the character described in subsection (g) of this section covering the

<sup>1</sup> Sec. 304(j)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "not to exceed \$5,000,000 and".

individual dwellings in the project, and as to such individual mortgages the provisions of subsections (a), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 shall be applicable: *Provided*, That wherever the words "Fund", or "Mutual Mortgage Insurance Fund" appear in section 204, such reference shall refer to the General Insurance Fund with respect to mortgages insured under this section.

(k) The provisions of sections 801, 802, 803(c), 803(i), 803(j), 804(a), 804(b), and 807 and the provisions of section 803(a) relating to the aggregate amount of all mortgages insured under this title shall be applicable to mortgages insured under this section. No more mortgages shall be insured under this section after September 30, 1979,<sup>1</sup> except pursuant to a commitment to insure before such date.

(l) Repealed.<sup>2</sup>

SEC. 811.<sup>3</sup> (a) The Secretary is authorized to make payments in lieu of taxes on any real property to which title has been or is hereafter acquired by him in fee under section 803 as effective prior to August 11, 1955, and on which taxes or payments in lieu of such taxes were payable or paid prior to acquisition by the Secretary. Such payments may be made in connection with tax years occurring prior to or subsequent to the date of the enactment of this section. The amount of any such payments shall not exceed taxes on similar property and shall not include interest or penalties. If the Secretary has acquired or hereafter acquires title in fee to real property by foreclosure or by transfer from some other department or agency of the Government or otherwise during a tax year, he may make a payment in lieu of taxes prorated for that portion of the year remaining after his acquisition of title. This subsection shall not authorize any lien against property held by the Secretary, nor the payment of any tax, nor any payment in lieu of any tax, on any interest of the Secretary as lessee or mortgagee.

(b) Which in this title shall be construed to exempt any real property nothing has been or is hereafter acquired and held by the Secre-

<sup>1</sup> Sec. 3 of Public Law 87-623, approved August 31, 1962, 76 Stat. 418, extended for 1 year to October 1, 1963, the insurance authority under sec. 810, sec. 2 of Public Law 88-127, approved September 23, 1963, 77 Stat. 163, extended for 2 years to October 1, 1965, the insurance authority under sec. 810 and sec. 202(c), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 466, extended this authority for 4 years to October 1, 1969. Sec. 2(e) of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, extended this authority to January 1, 1970, and sec. 101(g), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, further extended this authority to October 1, 1970. This authority was subsequently extended as follows: (1) to November 1, 1970, by sec. 1(e) of Public Law 91-432, approved October 2, 1970, 84 Stat. 886; (2) to December 1, 1970, by sec. 1(e) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064; (3) to January 1, 1971, by sec. 1(e) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384; (4) to October 1, 1972, by sec. 101(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770; (5) to June 30, 1973, by sec. 1(g) of Public Law 92-503, approved October 18, 1972; 86 Stat. 906; (6) to October 1, 1973, by sec. 1(g) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; (7) to October 1, 1974, by sec. 1(g) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421; and (8) Sec. 316(e) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974". Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, (Public Law 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977 to July 31, 1977; Public Law 95-80, approved July 31, 1977, had further extended the date from July 31, 1977 to September 30, 1977). Further amended by Section 301(l) of Housing and Community Development Amendments of 1978; Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Immediately prior to repeal by sec. 611(a)(3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 180, subsec. 810(l) reads as follows:

"(l) If the Commissioner determines that insurance of mortgages on any housing of the type described in this section is not an acceptable risk, he may require the Secretary of Defense to guarantee the Armed Services Housing Mortgage Insurance Fund from loss with respect to mortgages insured pursuant to this section. There are hereby authorized to be appropriated such sums as may be necessary to provide for payment to meet losses arising from such guaranty."

<sup>3</sup> Public Law 87-756, approved October 5, 1962, 76 Stat. 751, added sec. 811.



tary under section 809 or 810 from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

## TITLE IX—NATIONAL DEFENSE HOUSING INSURANCE <sup>1</sup>

SEC. 901. As used in this title, the terms "mortgage," "first mortgage," "mortgagee," "mortgagor," "maturity date," and "State" shall have the same meaning as in section 201 of this Act.

### SEC. 902.<sup>2</sup>

SEC. 903. (a) This title is designed to supplement systems of mortgage insurance under other provisions of the National Housing Act in order to assist in providing adequate housing in areas which the President, pursuant to section 101 of the Defense Housing and Community Facilities and Services Act of 1951, shall have determined to be critical defense housing areas. The Secretary is authorized<sup>3</sup> upon application by the mortgagee, to insure under this section or section 908 as hereinafter provided any mortgage which is eligible for insurance as hereinafter provided and upon such terms as the Secretary may prescribe to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the property covered by the mortgage is in an area which the President, pursuant to section 101 of the Defense Housing and Community Facilities and Services Act of 1951, shall have determined to be a critical defense housing area, and that the total number of dwelling units in properties covered by mortgages insured under this title in any such area does not exceed the number authorized by the Secretary of Housing and Urban Development<sup>4</sup> from time to time as needed in such area for defense purposes and to be insured pursuant to this title: *Provided further*,<sup>5</sup> That in the event the Secretary has issued a commitment to insure a mortgage under section 903 of this title, which commitment was in force and effect on June 1, 1953, and the Secretary determines that, because of changes in defense requirements, there is reasonable doubt that such housing is needed for defense purposes and that it is probable that the mortgage would become immediately in default and claim made for payment under the mortgage insurance contract if the unit or units are completed and the mortgage insured, the Secretary is authorized, in the interest of conserving the General Insurance Fund, to pay (in cash from the General Insurance Fund) to the mortgagee for the account of the mortgagor such amount as the Secretary shall determine to be necessary to reimburse the mortgagor the amounts paid or to be paid by the mortgagor on account of labor performed and materials in

<sup>1</sup> Title IX was added to the National Housing Act by sec. 201 of the Defense Housing and Community Facilities and Services Act of 1951, Public Law 139, 82d Congress, approved September 1, 1951, 65 Stat. 293, 42 U.S.C. 1591.

<sup>2</sup> Sec. 902 repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.

<sup>3</sup> Sec. 104 of the Defense Housing and Community Facilities and Services Act of 1951, as amended, Public Law 139, 82d Congress, 42 U.S.C. 1591c, provides that no mortgage may be insured under title IX of the National Housing Act after June 30, 1954, except for outstanding commitments on that date, and projects designated by the President before August 1, 1955.

<sup>4</sup> See also sec. 102 of the Defense Housing and Community Facilities and Services Act of 1951, 42 U.S.C. 1591a, for provisions concerning public announcement of the availability of title IX mortgage insurance aids, and the number, types, rentals, and locations of dwelling units needed in critical defense areas.

<sup>5</sup> This proviso was added by sec. 11 of the Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 124.



place, less the Secretary's estimate of the reasonable salvage value of such materials, plus an allowance for the development costs equal to 4 per centum of the principal amount of the mortgage specified in such commitment, and no payments shall be made pursuant to this proviso unless a claim therefor is filed not later than six months from date of the determination of lack of need and the claim is in such form and contains such supporting information, documents, and data as the Secretary may require: *Provided further*, That the aggregate amount of principal obligations of all mortgages insured under this title shall not exceed such sum as may be authorized by the President from time to time for the purposes of this title pursuant to his authority under section 217 hereof: *Provided further*, That the Secretary shall have power to require properties covered by mortgages insured under this title to be held for rental for such periods of time and at such rentals or other charges as he may prescribe; and, with respect to such properties being held for rental, (1) to require that the property be held by a mortgagor approved by him, and (2) to prescribe such requirements as he deems to be reasonable governing the method of operation and prohibiting or restricting sales of such properties or interests therein or agreements relating to such sales: *Provided further*.<sup>1</sup> That the Secretary shall require each dwelling covered by a mortgage insured under this section, for which a commitment to insure is issued after the effective date of the Housing Act of 1954, to be held for rental for a period of not less than three years after the dwelling is made available for initial occupancy: *And provided further*, That no mortgage shall be insured under this title unless the mortgagor certifies under oath that in selecting tenants for any property covered by the mortgage he will not discriminate against any family by reason of the fact that there are children in the family, and that he will not sell the property while the insurance is in effect unless the purchaser so certifies, such certification to be filed with the Secretary. Violation of any such certification shall be a misdemeanor punishable by a fine of not to exceed \$500.

(b) To be eligible for insurance under this section a mortgage shall—

(1) have been made to, and be held by, a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

(2) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed 90 per centum of the appraised value (as of the date the mortgage is accepted for insurance) of a property, urban, suburban, or rural, upon which there is located a dwelling designed principally for residential use for not more than two families in the aggregate, which is approved for mortgage insurance prior to the beginning of construction, the construction of which is begun after the date of enactment of this title. The principal obligation of such mortgage shall not, however, exceed \$8,100 if such dwelling is designed for a single-family residence, or \$15,000 if such dwelling is de-

<sup>1</sup> This proviso added by sec. 128(b) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 609. Effective date of Housing Act of 1954, August 2, 1954.

signed for a two-family residence except that the Secretary may by regulation increase these amounts to not to exceed \$9,000 and \$16,000, respectively, in any geographical area where he finds that cost levels so require: *Provided*, That if the Secretary finds that it is not feasible within the aforesaid dollar amount limitations to construct dwellings containing three or four bedrooms per family unit without sacrifice of sound standards of construction, design, and livability, he may increase such dollar amount limitations by not exceeding \$1,080 for each additional bedroom (as defined by the Secretary) in excess of two contained in such family unit if he finds that such unit meets sound standards of livability as a three-bedroom or a four-bedroom unit, as the case may be;

(3) have a maturity satisfactory to the Secretary but not to exceed thirty years from the date of the insurance of the mortgage;

(4) contain complete amortization provisions satisfactory to the Secretary;

(5) bear interest (exclusive of premium charges for insurance) at not to exceed  $4\frac{1}{2}$  per centum per annum on the amount of the principal obligation outstanding at any time;

(6) provide, in a manner satisfactory to the Secretary, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as herein provided) to amortization of the principal of the mortgage; and

(7) contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default, reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

(c) The Secretary is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to  $1\frac{1}{2}$  per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the mortgagee, either in cash or in debentures issued by the Secretary under this title at par plus accrued interest, in such manner as may be prescribed by the Secretary: *Provided*, That the Secretary may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Secretary finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this title, such mortgage may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe; but no mortgage shall be accepted for insurance under this title unless the Secretary finds that the project with respect to which the mortgage is executed is an acceptable risk in view of the needs of national defense.



In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this title until such maturity date; and in the event that the principal obligation is paid in full as herein set forth the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid. Upon application of the mortgagee with the consent of the mortgagor of a mortgage or for which a commitment to insure has been issued pursuant to section 203 of this Act covering property on which the construction of the dwellings thereon was begun prior to the enactment of this title and the determination of prevailing wages in the locality in accordance with section 212, the Secretary is authorized, notwithstanding such beginning of construction, to convert such commitment to a commitment under section 908; any charges or fees paid to the Secretary with respect to such insurance under section 203 shall be credited to charges or fees due the Secretary with respect to such insurance under section 908; and the determination of prevailing wages in the locality for purposes of section 212 may be made by the Secretary of Labor at any time prior to the insurance under section 908: *Provided*, That such mortgage, or the mortgage covering the same property executed in substitution therefor, is otherwise eligible for insurance under section 908.<sup>1</sup>

(d) Notwithstanding any other provisions of this or any other Act, except provisions of law enacted hereafter expressly referring to this paragraph (d), the Secretary is further authorized to prescribe such procedures as are necessary to secure to persons engaged or to be engaged in national defense activities preference or priority of opportunity to purchase or rent properties, or interests therein, covered by mortgages insured under this title.<sup>2</sup>

(e) Any contract of insurance heretofore or hereafter, executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

SEC. 904.<sup>3</sup> (a) In any case in which the mortgagee under a mortgage insured under section 903 shall have foreclosed and taken possession of the mortgaged property, in accordance with regulations of, and within a period to be determined by, the Secretary, or shall, with the consent of the Secretary, have otherwise acquired such property

<sup>1</sup> The last sentence of this subsec. (c) was added by sec. 13 of the Housing Act of 1952, Public Law 531, 82d Congress, approved July 14, 1952, 66 Stat. 601, 604.

<sup>2</sup> See also sec. 611 of the Defense Housing and Community Facilities and Services Act of 1951, 42 U.S.C. 1593e.

<sup>3</sup> Sec. 105(e), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 773, 774, made changes in the provisions of this section for the payment of insurance benefits. The changes are designed to simplify payment procedures.



from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Secretary of title to the property which meets the requirements of rules and regulations of the Secretary in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations; and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Secretary. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Secretary shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, ground rents, and water rates, which are liens prior to the mortgage, special assessments which are noted on the application for insurance or which become liens after the insurance of the mortgage, insurance of the mortgaged property, and any mortgage insurance premiums and by deducting from such total amount any amount received on account of the mortgage after either of such dates and any amount received as rent or other income from the property, less reasonable expenses, incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property as of the date the mortgage was accepted for insurance, they may be included in the debentures issued by the Secretary, on account of the cost of foreclosure (or of acquiring the property by other means) actually paid by the mortgagee and approved by the Secretary an amount—

(1) not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings and not in excess of \$75; or

(2) not in excess of two-thirds of such cost, whichever is the greater: *Provided further*, That with respect to any debentures issued on or after the date of enactment of the Housing Act of 1964,<sup>1</sup> the Secretary may, with the consent of the mortgagee (in lieu of issuing a certificate of claim as provided in subsection (e)), include in debentures, in addition to amounts otherwise allowed for such costs, an amount not to exceed one-third of the total foreclosure, acquisition, and conveyance costs actually paid by the mortgagee and approved by the Secretary, but in no event may the total allowance for such costs exceed the amount actually paid by the mortgagee: *And provided further*, That with respect to mortgages to which the provisions of sections 302 and

<sup>1</sup> September 2, 1964.

306 of the Soldiers' and Sailors' Civil Relief Act of 1940, as now or hereafter amended, apply and which are insured under section 903, and subject to such regulations and conditions as the Secretary may prescribe, there shall be included in the debentures an amount which the Secretary finds to be sufficient to compensate the mortgagee for any loss which it may have sustained on account of interest on debentures and the payment of insurance premiums by reason of its having postponed the institution of foreclosure proceedings or the acquisition of the property by other means during any part or all of the period of such military service and three months thereafter.

(b) The Secretary may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

(c) Debentures issued under this title shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the amount of debentures to which the mortgagee is entitled under this section or section 908 of this Act and the aggregate face value of the debentures issued, not to exceed \$350, shall be adjusted by the payment of cash by the Secretary to the mortgagee from the General Insurance Fund.

(d) The debentures issued under this section to any mortgagee shall be executed in the name of the General Insurance Fund as obligor, shall be signed by the Secretary by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, except that debentures issued pursuant to claims for insurance filed on or after the date of enactment of the Housing Act of 1964<sup>1</sup> shall be dated as of the date of default or as of such later date as the Secretary, in his discretion, may establish by regulation. The debentures shall bear interest from such date at a rate determined by the Secretary, with the approval of the Secretary of the Treasury, at the time the mortgage was accepted for insurance, but not to exceed 3 per centum per annum, payable semiannually on the 1st day of January and the 1st day of July of each year. Such debentures shall mature twenty<sup>2</sup> years after the date thereof. Such debentures shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, or gift taxes) now or hereafter imposed by any Territory, dependency, or possession of the United States, or by the District of Columbia, or by any State, county, municipality, or local taxing authority, and shall be paid out of the General Insurance Fund, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such

<sup>1</sup> September 2, 1964.

<sup>2</sup> Sec. 112(d) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 593, substituted "twenty" for "ten". Sec. 112(e) of the Housing Act of 1954 provided, however, that the change in maturity would "not apply in any case where the mortgage involved was insured or the commitment for such insurance was issued prior to the effective date of the Housing Act of 1954" (August 2, 1954).



guaranty shall be expressed on the face of the debentures. In the event that the General Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures issued under this title, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amounts so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

(e) The certificate of claim issued by the Secretary to any mortgagee under this section shall be for an amount determined in accordance with, and shall contain provisions and shall be paid in accordance with, the provisions of section 204(e) and section 204(f) of this Act.

(f) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Secretary shall have power to deal with, complete, rent, renovate, modernize, insure, make contracts or establish suitable agencies for the management of, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Secretary as provided in this title: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000. The power to convey and to execute in the name of the Secretary deeds of conveyances, deeds of release, assignments, and satisfactions of mortgages, and any other written instrument relating to real property or any interest therein heretofore or hereafter acquired by the Secretary pursuant to the provisions of this Act, may be exercised by an officer appointed by him, without the execution of any express delegation or power of attorney: *Provided*, That nothing in this subsection shall be construed to prevent the Secretary from delegating such power by order or by power of attorney in his discretion, to any officer, agent, or employee he may appoint.

(g) No mortgagee or mortgagor shall have, and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Secretary or in any claim assigned to him; nor shall the Secretary owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collection of any such claim.

SEC. 905.<sup>1</sup>

SEC. 906. Nothing in this title shall be construed to exempt any real property acquired and held by the Secretary under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

SEC. 907. The Secretary is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.

<sup>1</sup> Sec. 905 repealed by sec. 1108(aa), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 507.



SEC. 908. (a) In addition to mortgages insured under section 903 of this title, the Secretary is authorized to insure mortgages as defined in section 901 of this title (including advances on such mortgages during construction) which are eligible for insurance as hereinafter provided.

(b) To be eligible for insurance under this section a mortgage shall meet the following conditions:

(1) The mortgaged property shall be held by a mortgagor approved by the Secretary. The Secretary may, in his discretion, require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation. The Secretary may make such contracts with, and acquire for not to exceed \$100 stock or interest in any such mortgagor, as the Secretary may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgage shall involve a principal obligation in an amount—

(A) not to exceed \$5,000,000; and

(B) not to exceed 90 per centum of the amount which the Secretary estimates will be the value of the property or project when the proposed improvements are completed: *Provided*, That such mortgage shall not in any event exceed the amount which the Secretary estimates will be the cost of the completed physical improvements on the property or project exclusive of off-site public utilities and streets and organization and legal expenses; and

(C) not to exceed \$8,100 per family unit (or \$7,200 per family unit if the number of rooms in such property or project does not equal or exceed four per family unit) for such part of such property or project as may be attributable to dwelling use: *Provided*, That the Secretary may by regulation increase such dollar amount limitations by not exceeding \$900 in any geographical area where he finds that cost levels so require.

The mortgagor shall enter into the agreement required by section 227 of this Act, as amended.<sup>1</sup>

The mortgage shall provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 4½ per centum<sup>2</sup> per annum on the amount of the principal obligation outstanding at any time. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release.

(c) The mortgagees shall be entitled to receive debentures in connection with mortgages insured under this section in the amount and under the conditions specified in subsection (g) of section 207 of this Act, and the references in said subsection (g) to the cash adjustment provided for in subsection (j) of section 207 and to the certificate of

<sup>1</sup> This paragraph amended to read as set forth in the text by sec. 130 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 609.

<sup>2</sup> Sec. 10(c) of the Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 124, substituted "4½ per centum" for "4 per centum".

claim provided for in subsection (h) of section 207 shall be deemed to refer respectively to the cash adjustment provided for in subsection (c) of section 904 of this Act and to the certificate of claim provided for in subsection (d) of this section.

(d) The certificate of claim issued by the Secretary to any mortgagee under this section shall be for an amount determined in accordance with, and shall contain provisions and shall be paid in accordance with, the provisions of section 207(h) of this Act.

(e) Debentures issued under this section shall be issued in accordance with the provisions of section 904 (c) and (d) except that such debentures shall be dated as of the date of default as determined in subsection (c) of this section, and shall bear interest from such date.

(f) The provisions of section 207(k) and section 207(l) of this Act shall be applicable to mortgages insured under this section and to property acquired by the Secretary hereunder, except that, as applied to such mortgages and property, the reference therein to subsection (g) shall be construed to refer to subsection (c) of this section.

(g) In any case where an application for insurance under section 608 of this Act was received by the Secretary of Housing and Urban Development on or before March 1, 1950, and has not been rejected or committed upon, the mortgagee upon reapplication for insurance of a mortgage under this section 908 with respect to the same property shall receive credit for any application fees paid in connection with the prior application: *Provided*, That this subsection shall not constitute a waiver of any requirements otherwise applicable to the insurance of mortgages under this section.

(h) The Secretary shall grant preference to applications for insurance under this title to mortgages covering housing of lower rents.

## TITLE X—MORTGAGE INSURANCE FOR LAND DEVELOPMENT<sup>1</sup>

### DEFINITIONS

SEC. 1001. As used in this title—

(a) the term “mortgage” means a lien or liens on real estate in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable, or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed;

(b) the term “first mortgage” includes such classes of first lien as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and may be in the form of trust

<sup>1</sup> Title X was added by sec. 201, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 461.

Sec. 201 also made the insured land development mortgages eligible for purchase under FNMA's regular secondary market operations and for investment by national banks and Federal savings and loan associations.

See also, Guarantees for Financing New Community Land Development, Title IV, Housing and Urban Development Act of 1968, *infra*.



mortgages or mortgage indentures or deeds of trusts securing notes, bonds, or other credit instruments;

(c) the terms "mortgagor", and "State" have the same meaning as section 207 of this Act;

(d) the term "improvements" means waterlines and water supply installations, sewerlines and sewage disposal installation, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities and other installations or work whether on or off the site, which the Secretary deems necessary or desirable to prepare land primarily for residential and related uses or to provide facilities for public or common use. Related uses may include industrial uses, with sites for such uses to be in proper proportion to the size and scope of the development. The term improvements shall not include any building unless it is (1) a building which is needed in connection with a water supply or sewage disposal installation or a steam, gas, or electric line or installation, or (2) a building, other than a school, which is to be owned and maintained jointly by the property owners; and

(e) the term "land development" means the process of making, installing, or constructing improvements.

#### BASIC CONDITIONS FOR INSURANCE

SEC. 1002. (a) The Secretary is authorized (1) to insure upon such terms and conditions as he may prescribe, any first mortgage (including advances on such mortgage) in accordance with the provisions of this title, and (2) to make a commitment for the insurance of such mortgage prior to the date of execution of such mortgage or prior to the date of disbursement of the mortgage proceeds. No mortgage shall be insured under this title after September 30, 1979,<sup>1</sup> except pursuant to a commitment to insure issued before such date.

(b) The mortgage shall—

(1) be executed by a mortgagor, other than a public body, approved by the Secretary;

(2) be made to and held by a mortgagee approved by the Secretary; and

(3) cover the land to be developed and the improvements to be made with the assistance of the mortgage insurance under this title, except facilities intended for public use and in public ownership.

<sup>1</sup> Sec. 2(f) of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, extended title X from October 1, 1969, to January 1, 1970, and sec. 101(h), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, further extended title X to October 1, 1970. Title X was subsequently extended as follows: (1) to November 1, 1970, by sec. 1(f) of Public Law 91-432, approved October 2, 1970, 84 Stat. 886; (2) to December 1, 1970, by sec. 1(f) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064; (3) to January 1, 1971, by sec. 1(f) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384; (4) to October 1, 1972, by sec. 101(h), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770; (5) to June 30, 1973, by sec. 1(h) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906; (6) to October 1, 1973, by sec. 1(h) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; and (7) to October 1, 1974, by sec. 1(h) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421; Sec. 316(f) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974". Amended by Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, deleted "June 30, 1977" and inserted in lieu thereof "September 30, 1978" (Public Law 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977 to July 31, 1977; Public Law 95-80, approved July 31, 1977, had further extended the date from July 31, 1977 to September 30, 1977). Further extended by Section 301(j) of Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 approved, October 31, 1978.



(c)<sup>1</sup> The principal obligation of the mortgage shall not exceed the sum of 80 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the cost of such development.

(d) The mortgage shall—

(1)<sup>2</sup> contain repayment provisions satisfactory to the Secretary and have a maturity not to exceed ten<sup>3</sup> years, or such longer maturity as the Secretary deems reasonable (A) in the case of a privately owned system for water or sewerage, and (B) in the case of a new community approved under section 1004;

(2) bear interest at a rate satisfactory to the Secretary, and such interest shall be exclusive of premium charges for mortgage insurance and such service charges and fees as may be approved by the Secretary: *Provided*,<sup>4</sup> That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances make such extension necessary to avoid undue hardship to the mortgagor;

(3) contain such terms and provisions with respect to protection of the security, payment of taxes, delinquency charges, prepayment, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

(e) A property or project to be financed by a mortgage insured under this title shall—

(1) represent a good mortgage insurance risk; and

(2) involve improvements that comply with all applicable State and local governmental requirements and with minimum standards approved by the Secretary.

#### LAND PLANNING

Sec. 1003. (a) The land development covered by a mortgage insured under this title shall be undertaken pursuant to a schedule, conforming to such requirements and procedures as the Secretary may prescribe, that will assure the use of the land for the purposes for which it is to be developed within the shortest reasonable period consistent with the objectives of sound and economic community growth or urban development.

(b) The land development shall be undertaken in accordance with an overall development plan, appropriate to the scope and character of the undertaking, which—

<sup>1</sup> Sec. 314 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended the first sentence of Sec. 1002(c) of the National Housing Act. Prior to amendment this section (c) read as follows: "(c) The principal obligation of the mortgage shall (1) not exceed 74 percent of the Secretary's estimate of the value of the property upon completion of the land development, and (2) not exceed the sum of 50 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the cost of such development."

<sup>2</sup> Sec. 402(b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1272, amended par. (1) to include mortgages insuring new communities approved under sec. 1004 of that act.

<sup>3</sup> Sec. 402(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509 substituted "ten" for "seven".

<sup>4</sup> Sec. 310(2), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 509 added this proviso.

(1) has received all governmental approvals required by State or local law or by the Secretary;

(2) is acceptable to the Secretary as providing reasonable assurance that the land development will contribute to good living conditions in the area being developed, which area (A) will have a sound economic base and a long economic life, (B) will be characterized by sound land-use patterns, and (C) will include or be served by such shopping, school, recreational, transportation, and other facilities as the Secretary deems adequate or necessary; and

(3) is consistent with a comprehensive plan which covers, or with comprehensive planning being carried on for, the area in which the land is situated, and which meets criteria established by the Secretary for such plans or planning; except<sup>1</sup> that, in the case of land development covered by a mortgage with respect to which an insurance commitment is issued under this title before the expiration of one year after the date of enactment of the Housing and Urban Development Act of 1970, the requirement of this paragraph shall be applicable only if there is actually in existence on the date the commitment is issued a comprehensive plan which covers, or comprehensive planning being carried on for, the area in which the land is situated.

#### NEW COMMUNITIES

SEC. 1004.<sup>2</sup> (a) New communities consisting of developments, satisfying all other requirements under this title, may be approved under this section by the Secretary for mortgage insurance if they meet the requirements of subsection (b) of this section.

(b) A development shall be eligible for approval as a new community if the Secretary determines it will, in view of its size and scope, make a substantial contribution to the sound and economic growth of the area within which it is located in the form of—

(1) substantial economies, made possible through large-scale development, in the provision of improved residential sites;

(2) adequate housing to be provided for those who would be employed in the community or the surrounding area;

(3) maximum accessibility from the new residential sites to industrial or other employment centers and commercial, recreational, and cultural facilities in or near the community; and

(4) maximum accessibility to any major central city in the area.

(c) No development shall be approved as a new community by the Secretary under this section unless the construction of such development has been approved by the local governing body or bodies of the locality or localities in which it will be located and by the Governor

<sup>1</sup> This clause added by sec. 119, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, to waive the requirement of consistency with comprehensive planning for the area in cases where (1) the land development is covered by a mortgage with respect to which an insurance commitment is issued within one year from the date of the enactment of the foregoing Act and (2) there is no comprehensive plan which covers, or comprehensive planning being carried on for, the area in which the land development is situated.

<sup>2</sup> Sec. 401(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1271, inserted new sec. 1004 and redesignated the remaining sections accordingly.

Sec. 401(b) of the Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1272, provides that no mortgages can be insured for new communities approved under sec. 1004 of this Act after October 1, 1972, except pursuant to a commitment to insure entered into before that date.

of the State in which such locality or localities are situated: *Provided*, That if such locality or localities have been delegated general powers of local self-government by State law or State constitution, as determined by the Secretary, the approval of the Governor shall not be required.

(d) The aggregate amount of mortgages insured under this title with respect to new communities approved under this section and outstanding at any one time shall not exceed \$250,000,000.

#### ENCOURAGEMENT OF SMALL BUILDERS AND MODERATE COST HOUSING

SEC. 1005. The Secretary shall adopt such requirements as he deems necessary in land development covered by mortgages insured under this title to encourage the maintenance of a diversified local home-building industry, broad participation by builders, particularly small builders,<sup>1</sup> and the inclusion of a proper balance of housing for families of moderate or low income.

#### WATER AND SEWERAGE FACILITIES

SEC. 1006.<sup>2</sup> After development of the land it shall be served by public systems for water and sewerage which are consistent with other existing or prospective systems within the area, except that—

(a) in the case of systems for water, the land may be served by privately or cooperatively owned systems which are consistent with other existing or prospective systems within the area; are approved as adequate by the Secretary; and are regulated or supervised by the State or political subdivision or an agency thereof, or (in the absence of such State or local regulation or supervision) are otherwise regulated in a manner acceptable to the Secretary, with respect to user rates and charges, capital structure, methods of operation, rate of return, and conditions and terms of any sale or transfer; and

(b) in the case of systems for sewerage, the land may be served by—

(1) existing privately or cooperatively owned systems (including reasonable extensions thereto) which are approved as adequate by the Secretary, and which are regulated or supervised by the State or political subdivision or an agency thereof, or (in the absence of such State or local regulation or supervision) are otherwise regulated in a manner acceptable to the Secretary; or

(2) if it is necessary to develop a new system and the Secretary determines that public ownership of such a system is not feasible, an adequate privately or cooperatively owned

<sup>1</sup> Sec. 403, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1272, inserted at this point the words "particularly small builders."

<sup>2</sup> Immediately prior to amendment by sec. 404, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1272, the former sec. 1005 (redesignated as sec. 1006 by sec. 401 of that Act) read as follows:

"Sec. 1005. After development of the land it shall be served by public systems for water and sewerage which are consistent with other existing or prospective systems within the area, except that the Commissioner may approve an adequate privately or cooperatively owned system which will be regulated in a manner acceptable to him with respect to user rates and charges, capital structure, methods of operation, rate of return, and conditions and terms of any sale or transfer."



new system (A) which he finds consistent with other existing or prospective systems within the area, (B) which during the period of such ownership will be regulated or supervised by the State or political subdivision or an agency thereof, or (in the absence of such State or local regulation or supervision) will be otherwise regulated in a manner acceptable to the Secretary, with respect to user rates and charges, capital structure, methods of operation, and rate of return, and (C) regarding which he receives assurances, satisfactory to him, with respect to eventual public ownership and operation of the system and with respect to the conditions and terms of any sale or transfer.

#### RELEASES

SEC. 1007. The Secretary may, on such terms and conditions as he may prescribe, consent to the release or subordination of a part or parts of the mortgaged property from the lien of the mortgage.

#### PREMIUMS AND FEES

SEC. 1008. The Secretary shall collect reasonable premiums for the insurance of any mortgage under this title and make such charges as he determines are reasonable for the analysis of the land development plan and the appraisal and inspection of the property and improvements. On or before January 1, 1967, the Secretary shall make a report to the Congress concerning the premium rates and other charges under this title that he estimates will be adequate to provide income sufficient for a self-supporting program.

#### INSURANCE BENEFITS

SEC. 1009. The provisions of subsections (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 of this Act shall be applicable to mortgages insured under this title, except that as applied to such mortgages (1) any reference therein to section 207 shall be deemed to refer to this title, and (2) any reference to an annual premium shall be deemed to refer to such premiums as the Secretary may designate under this title.

#### INCONTESTABILITY PROVISIONS

SEC. 1010. Any contract of insurance executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or material misrepresentation on the part of such approved mortgagee.

#### RULES AND REGULATIONS

SEC. 1011. The Secretary is authorized to make such rules and regulations and to require such agreements as he may deem necessary or desirable to carry out the provisions of this title.

## TAXATION PROVISIONS

SEC. 1012. Nothing in this title shall be construed to exempt any real property acquired and held by the Secretary under this title from taxation by any State or political subdivision thereof to the same extent, according to its value, as the other real property is taxed.

## COST CERTIFICATION

SEC. 1013. (a) The Secretary shall adopt such requirements as he determines necessary to assure, at reasonable intervals of time during land development and upon completion of such development, that the amount of the mortgage loan outstanding at each such interval does not exceed with respect to that portion of the land remaining under the lien of the mortgage (1) 50 per centum of the Secretary's estimate of the value of such remaining land before development, plus (2) 90 per centum of the actual costs of the development allocated by the Secretary to such remaining land.

(b) From time to time during, and upon completion of, the development, the Secretary shall require the mortgagor to certify as to the actual costs of development of the land.

(c) Certifications required pursuant to this section shall be accompanied by such data and records as the Secretary shall prescribe.

(d) A mortgagor's certification approved by the Secretary shall be final and incontestable except for fraud or material misrepresentation on the part of the mortgagor.

(e) As used in this section, the term "actual costs" means the costs (exclusive of kickbacks, rebates, or trade discounts) to the mortgagor of the improvements involved. These costs include amounts paid for labor, materials, construction contracts, land planning, engineers' and architect's fees, surveys, taxes, and interest during development, organizational and legal expenses, such allocation of general overhead expenses as are acceptable to the Secretary, and other items of expense incidental to development which may be approved by the Secretary. If the Secretary determines there is an identity of interest between the mortgagor and the contractor, there may be included an allowance for the contractor's profit in an amount deemed reasonable by the Secretary.

## TITLE XI—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES<sup>1</sup>

## INSURANCE OF MORTGAGES

SEC. 1101. (a) The Secretary is authorized (1) to insure mortgages (including advances on such mortgages during construction), upon such terms and conditions as he may prescribe, in accordance with the provisions of this title, and (2) to make commitments for the insuring

<sup>1</sup> Title XI was added by sec. 502, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1274.

Sec. 501 of the Demonstration Cities and Metropolitan Development Act of 1966 states that it is the purpose of title XI "to assure the availability of credit on reasonable terms to units or organizations engaged in the group practice of medicine, optometry, or dentistry, particularly those in smaller communities and those sponsored by cooperative or other nonprofit organizations, to assist in financing the construction and equipment of group practice facilities.

of such mortgages prior to the date of their execution or disbursement thereon. No mortgage shall be insured under this title after September 30, 1979,<sup>1</sup> except pursuant to a commitment to insure issued before that date.

(b) To be eligible for insurance under this title, the mortgage shall (1) be executed by a mortgagor that is a group practice unit or organization or other mortgagor,<sup>2</sup> approved by the Secretary, (2) be made to and held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly, and (3) cover a property or project which is approved for mortgage insurance prior to the beginning of construction or rehabilitation and is designed for use as a group practice facility or medical practice facility<sup>3</sup> which the Secretary finds will be constructed in an economical manner, will not be of elaborate or extravagant design or materials, and will be adequate and suitable for carrying out the purposes of this title. No mortgage shall be insured under this title unless it is shown to the satisfaction of the Secretary that the applicant would be unable to obtain the mortgage loan without such insurance on terms comparable to those specified in subsection (c).

(c) The mortgage shall—

(1)<sup>4</sup>

(2) not exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when construction or rehabilitation is completed. The replacement cost<sup>5</sup> of the property may include the land the proposed physical improvements, equipment, utilities with the boundaries of the property, architects' fees, taxes, and interest accruing during construction or rehabilitation, and other miscellaneous charges incident to construction or rehabilitation and approved by the Secretary;

(3) have a maturity satisfactory to the Secretary but not to exceed twenty-five years from the beginning of amortization of the mortgage,<sup>6</sup> and provide for complete amortization of the prin-

<sup>1</sup> Sec. 2(g) of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, extended title XI from October 1, 1969, to January 1, 1970, and sec. 101(i), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, further extended title XI to October 1, 1970. Title XI was subsequently extended as follows: (1) to November 1, 1970, by sec. 1(g) of Public Law 91-432, approved October 2, 1970, 84 Stat. 886; (2) to December 1, 1970, by sec. 1(g) of Public Law 91-473, approved October 21, 1970, 84 Stat. 1064; (3) to January 1, 1971, by sec. 1(g) of Public Law 91-525, approved December 1, 1970, 84 Stat. 1384; (4) to October 1, 1972, by sec. 101(i), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770; (5) to June 30, 1973, by sec. 1(i) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906; (6) to October 1, 1973, by sec. 1(i) of Public Law 93-85, approved August 10, 1973, 87 Stat. 220; (7) to October 1, 1974, by sec. 1(i) of Public Law 93-117, approved October 2, 1973, 87 Stat. 421; and (8) by sec. 316(g) of Housing and Community Development Act of 1974, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974". Amended by Housing and Community Development Act of 1977, Public Law 95-128 (Public Law 95-60 had previously extended the date from June 30, 1977 to July 31, 1977; Public Law 95-80 had further extended the date from July 31, 1977 to September 30, 1977). Further extended by Section 301(k) of Housing and Community Development Amendments of 1975, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 312(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "or other mortgagor", following "unit or organization".

<sup>3</sup> Sec. 312(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or medical practice facility" immediately following "group practice facility".

<sup>4</sup> Sec. 304(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, struck para. (1) of section 1101(c) of the National Housing Act, but did not renumber the following paragraphs.

<sup>5</sup> Sec. 418(f), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 402, substituted "replacement cost" for "value".

<sup>6</sup> Sec. 1722(d), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 610 added "from the beginning of amortization of the mortgage".



principal obligation by periodic payments within such term as the Secretary shall prescribe; and

(4) bear interest (exclusive of premium charges for insurance, and service charges if any) at a rate of not to exceed 5 per centum per annum of the amount of the principal obligation outstanding at any time, or not to exceed such rate (not in excess of 6 per centum per annum) as the Secretary finds necessary to meet the mortgage market.

(d) Any contract of insurance executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract for insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

(e) Each mortgage insured under this title shall contain an undertaking (in accordance with regulations prescribed under this title and in force at the time the mortgage is approved for insurance) to the effect that, except as authorized by the Secretary and the mortgagee, the property will be used as a group practice facility or medical practice facility<sup>1</sup> until the mortgage has been paid in full or the contract of insurance otherwise terminated.

(f) No mortgage shall be insured under this title unless the mortgagor and the mortgagee certify (1) that they will keep such records relating to the mortgage transaction and indebtedness, to the construction of the facility covered by the mortgage, and to the use of such facility as a group practice facility or medical practice facility<sup>1</sup> as are prescribed by the Secretary at the time of such certification, (2) that they will make such reports as may from time to time be required by the Secretary pertaining to such matters, and (3) that the Secretary shall have access to and the right to examine and audit such records.

#### PREMIUMS

SEC. 1102. The Secretary shall fix premium charges for the insurance of mortgages under this title, but such charges shall not be more than 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. In addition to the premium charge, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the analysis of a proposed project and the appraisal and inspection of the property and improvements. Where the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is authorized to require the payment by the mortgagee of an adjusted premium charge. This charge shall be in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until the maturity date. Where such prepayment occurs,

<sup>1</sup> Sec. 312(a)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974 amended sec. 1101(e) by inserting the words "or medical practice facility" immediately following "group practice facility"; sec. 312(a)(4) of such Act amended sec. 1101(f) by inserting the words "or medical practice facility" immediately following the words "group practice facility".

the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid. Premium charges fixed under this section shall be payable by the mortgagee either in cash, or in debentures which are the obligation of the General Insurance Fund at par plus accrued interest, at such times and in such manner as may be prescribed by the Secretary.

#### PAYMENT OF INSURANCE BENEFITS

SEC. 1103. The mortgagee shall be entitled to receive the benefits of the insurance under this title in the manner provided in subsection (g) of section 207 with respect to mortgages insured under that section. For such purpose the provisions of subsections (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this title and all references in such subsections to section 207 shall be deemed to refer to this title.

#### REGULATIONS

SEC. 1104. The Secretary shall prescribe such regulations as may be necessary to carry out this title, after consulting with the Secretary of Health, Education, and Welfare with respect to any health or medical aspects of the program under this title which may be involved in such regulations.

#### ADMINISTRATION

SEC. 1105. (a) At the request of individuals or organizations operating or contemplating the operation of group practice facilities or medical practice facility (as defined in section 1106),<sup>1</sup> the Secretary may provide or obtain technical assistance in the planning for and construction of such facilities.

(b) With a view to avoiding unnecessary duplication of existing staffs and facilities of the Federal Government, the Secretary is authorized to utilize available services and facilities of any agency of the Federal Government in carrying out the provisions of this title, and to pay for such services and facilities, either in advance or by way of reimbursement, in accordance with an agreement between the Secretary and the head of such agency.

#### DEFINITIONS

SEC. 1106. For the purposes of this title—

(1) The term "group practice facility" means a facility in a State for the provision of preventive, diagnostic, and treatment services to ambulatory patients (in which patient care is under the professional supervision of persons licensed to practice medicine or osteopathy<sup>2</sup> in

<sup>1</sup> Sec. 312(a)(5) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "or medical practice facility (as defined in section 1106)" for "(as defined in section 1106(1))".

<sup>2</sup> Sec. 312(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or osteopathy" after the words "practice medicine"; and also added after the word "State" "or, in the case of podiatric care or treatment, is under the professional supervision of persons licensed to practice podiatry in the State".

the State or, in the case of optometric care or treatment, is under the professional supervision of persons licensed to practice optometry in the State, or, in the case of dental diagnosis or treatment, is under the professional supervision of persons licensed to practice dentistry in the State, or, in the case of podiatric care or treatment, is under the professional supervision of persons licensed to practice podiatry in the State) and which is primarily for the provision of such health services by a medical or dental group.

(2)<sup>1</sup> The term "medical practice facility" means an adequately equipped facility in which not more than four persons licensed to practice medicine in the State where the facility is located can provide, as may be appropriate, preventive, diagnostic, and treatment services, and which is situated in a rural area or small town, or in a low-income section of an urban area, in which there exists, as determined by the Secretary, a critical shortage of physicians. As used in this paragraph—

(A) the term "small town" means any town, village, or city having a population of not more than 10,000 inhabitants according to the most recent available data compiled by the Bureau of the Census; and

(B) the term "low-income section of an urban area" means a section of a larger urban area in which the median family income is substantially lower, as determined by the Secretary, than the median family income for the area as a whole.

(3) The term "medical or dental group" means a partnership or other association or group of persons licensed to practice medicine, osteopathy,<sup>2</sup> or surgery in the State, or of persons licensed to practice optometry in the State, or of persons licensed to practice dentistry in the State, or of persons licensed to practice podiatry in the State,<sup>2</sup> or of any combination of such persons, who, as their principal professional activity and as a group responsibility, engage or undertake to engage in the coordinated practice of their profession primarily in one or more group practice facilities, and who (in this connection) share common overhead expenses (if and to the extent such expenses are paid by members of the group), medical and other records, and substantial portions of the equipment and the professional, technical, and administrative staffs, and which partnership or association or group is composed of at least such professional personnel and make available at least such health services as may be provided in regulations prescribed under this title.

(4) The term "group practice unit or organization" means—

(A) a private nonprofit agency or organization undertaking to provide, directly or through arrangements with a medical or dental group, comprehensive medical care, osteopathic care,<sup>3</sup> optometric care, dental care, or podiatric care,<sup>3</sup> or any combination

<sup>1</sup> Sec. 312(a)(6) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, redesignated paragraphs (2) through (8) as paragraphs (3) through (9) and inserted a new paragraph (2).

<sup>2</sup> Sec. 312(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted "osteopathy," after "practice medicine" in part. (2) as redesignated by subsec. (a)(6) of this section; and inserted after "dentistry in the State," "or of persons licensed to practice podiatry in the State,".

<sup>3</sup> Sec. 312(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974 inserted the words "osteopathic care," after "comprehensive medical care," in par. (3)(A) (as so redesignated); and inserted the words "or podiatric care," after the words "dental care," in par. (3)(A) (as so redesignated).



thereof, which may include hospitalization, to members or subscribers primarily on a group practice prepayments basis; or

(B) a private nonprofit agency or organization established for the purpose of improving the availability of medical, optometric, osteopathic,<sup>1</sup> or dental or podiatric<sup>1</sup> care in the community or having some function or functions related to the provision of such care, which will, through lease or other arrangement, make the group practice facility with respect to which assistance has been requested under this title available to a medical or dental group for use by it.

(5) The term "nonprofit organization" means a corporation, association, foundation, trust, or other organization not part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual except, in the case of an organization the purposes of which include the provision of personal health services to its members or subscribers or their dependents under a plan of such organization for the provision of such services to them (which plan may include the provision of other services or insurance benefits to them), through the provision of such health services (or such other services or insurance benefits) to such members or subscribers or dependents under such plan.

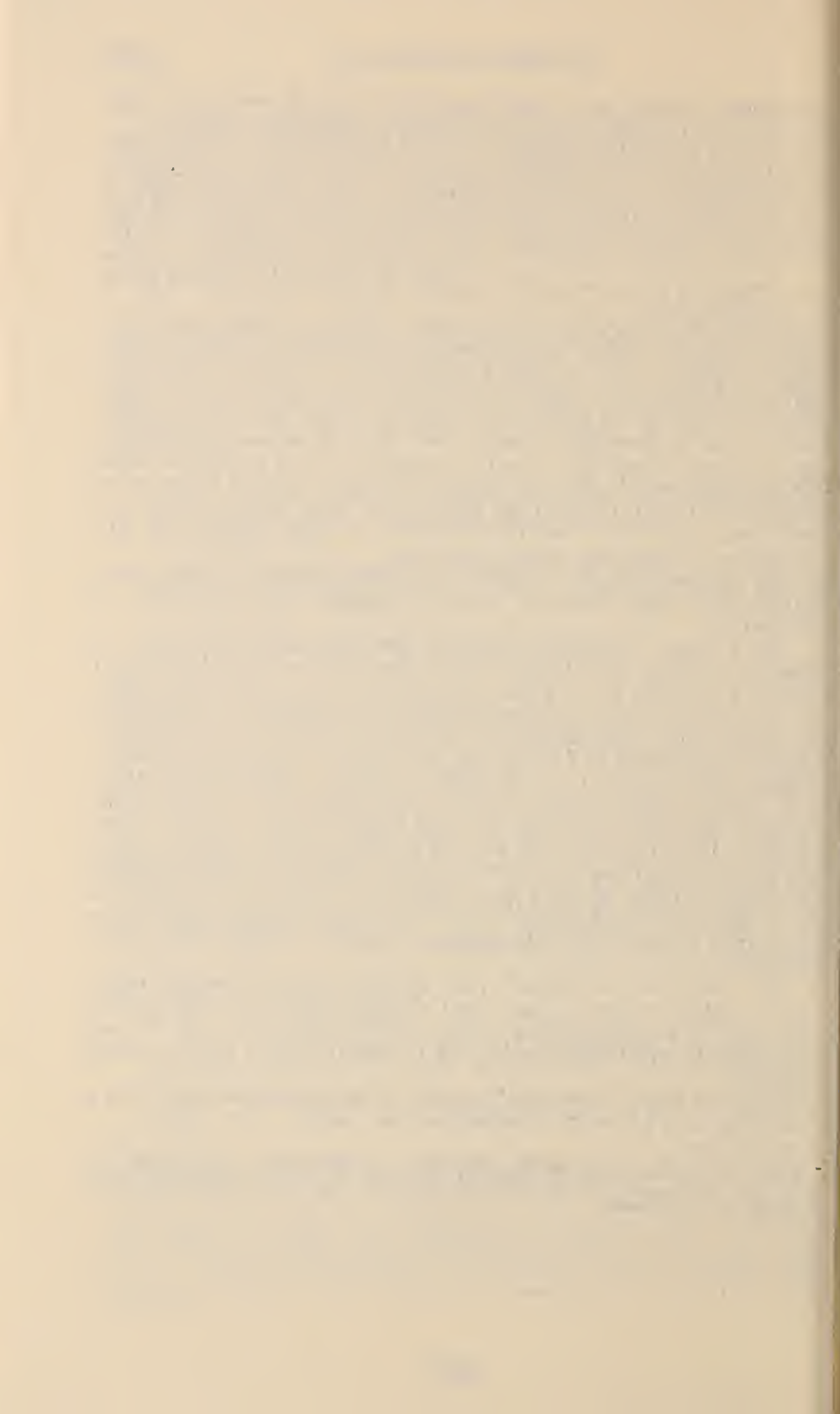
(6) The term "State" includes the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the District of Columbia.

(7) The term "mortgage" means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term "first mortgage" means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

(8) The term "mortgagee" means the original lender under a mortgage, and his or its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee named therein.

(9) The term "mortgagor" means the original borrower under a mortgage and his or its successors and assigns.

<sup>1</sup> Sec. 312(b)(4) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the word "osteopathic," after the word "optometric," and the words "or podiatric" after the word "dental" in para. (3)(B) as so redesignated.



## FHA AND VA INTEREST RATES AND COMMISSION TO STUDY

Excerpts from Public Law 90-301

[82 Stat. 113, 12 U.S.C. 1709-1]

AN ACT to amend chapter 37 of title 38 to the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes.

\* \* \* \* \*

SEC. 3. (a) Notwithstanding the provisions of sections 203(b) (5), 207(c) (3), 213(d), 220(d) (4), 220(h) (2) (iii), 221(d) (5), 231(c) (6), 232(d) (3) (B), 234(f), 235(j) (2) (C), 236(j) (4) (B), 240(c) (4), 241(b) (3), 242(d) (3) (B),<sup>1</sup> and 1101(c) (4) of the National Housing Act regarding the maximum interest rates which the Secretary of Housing and Urban Development may establish for certain mortgage insurance programs authorized by that Act, the Secretary is authorized, until October 1, 1979,<sup>2</sup> to set the maximum interest rates for such programs at not to exceed such per centum per annum on the amount of the principal obligation outstanding at any time as he finds necessary to meet the mortgage market, and during that time the interest rates so set shall be deemed to be for all purposes the interest rates in effect under the provisions of said section 203(b) (5) and the other sections referred to above: *Provided*, That in determining the rate to be applicable for the said section 203(b) (5) program, the Secretary shall consult with the Administrator of Veterans' Affairs regarding the rate which the Administrator considers necessary to meet the mortgage market for guaranteed or insured home loans to veterans under chapter 37 of title 38, United States Code. Notwithstanding the provisions of section 2(b) of the National Housing Act regarding the maximum interest rate which may be established for obligations with respect to which insurance is granted to financial institutions under section 2 of such Act, the Secretary of Housing and Urban Development is also authorized, until the date specified in the preceding sentence, to set the maximum interest rate for obligations with respect to which insurance

<sup>1</sup> Sec. 315, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 512, added "235(j) (2) (C), 236(j) (4) (B), 240(c) (4), 241(b) (3), 242(d) (3) (B)".

<sup>2</sup> Sec. 3 of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, substituted "January 1, 1970", for "October 1, 1969"; sec. 401, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 394, substituted "October 1, 1970", for "January 1, 1970"; sec. 601, Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 461, substituted "January 1, 1972" for "October 1, 1970"; sec. 1 of Public Law 92-213, approved December 22, 1971, 85 Stat. 775, substituted "June 30, 1972" for "January 1, 1972"; and sec. 1 of Public Law 92-335, approved July 1, 1972, 86 Stat. 405, substituted "June 30, 1973" for "June 30, 1972". Sec. 2 of Public Law 93-85, approved August 10, 1973, 87 Stat. 220, substituted "October 1, 1973" for "June 30, 1973"; sec. 3 of Public Law 93-117, approved October 2, 1973, 87 Stat. 421, substituted "October 1, 1974" for "October 1, 1973". Sec. 317 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974". Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved Oct. 12, 1977, (Public Law 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977 to August 1, 1977; Public Law 95-80, approved July 31, 1977, further extended the date from August 1, 1977 to October 1, 1977). This was extended further by Housing and Community Development Amendments of 1978, Sec. 302, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.



is granted under such section, at such level as he finds necessary to meet the loan market.<sup>1</sup>

SEC. 4. (a) The Congress finds that the national goal of "a decent home and a suitable living environment for every American family" cannot be reached unless there is an adequate supply of mortgage credit at rates of interest the American family can afford; that in recent years this credit has been available only at unreasonably high rates of interest, up as much as 50 per centum in the last three years; that for a moderate income family the cost of financing a home now is greater than the combined cost of land, labor, and construction material; that under existing constitutional arrangements our monetary and fiscal policies seem to be inadequate to cope with these high finance charges; that many financial institutions tend to withdraw from the mortgage market during tight money periods; that the purpose of Government ceilings seems to be thwarted by insidious discount points; that there exists in the public and private sections of the economy the resources and capabilities necessary to eliminate the problems; and that new and more effective ways should be explored to exploit the power of Government and the economic resources of our Nation to resolve this difficult problem.

(b) There is hereby established a commission to study mortgage interest rates and to make recommendations to assure the availability of an adequate supply of mortgage credit at a reasonable cost to the consumer (hereinafter referred to as the "Commission") which shall be comprised of fifteen members as follows:

(1) The chairman and ranking minority member of the Banking and Currency Committee of the United States Senate.

(2) The chairman and ranking minority member of the Banking and Currency Committee of the House of Representatives.

(3) The chairman and the ranking minority member of the Committee on Veterans' Affairs of the House of Representatives.

(4) Two members appointed by the President of the Senate, one from the majority party and one from the minority party other than those referred to in paragraph (1).

(5) Two members appointed by the Speaker of the House of Representatives, one from the majority party and one from the minority party other than those referred to in paragraphs (2) and (3).

(6) Five members appointed by the President, at least three of whom will be public members representing the consumer.

(c) A vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(d) The Chairman of the Commission shall be designated by the President.

(e) Eight members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(f) The Commission shall undertake a comprehensive study and make recommendations on—

(1) The necessity for statutory or administrative controls over interest rates in connection with Government-assisted mortgages;

<sup>1</sup> This sentence added by sec. 203 of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 3, 1973. Sec. 309(e) of the Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, deleted after section, "and which represent loans and advances of credit made for the purpose of financing purchases of mobile homes,".

(2) The appropriate level for such interest rates to enable low- and moderate-income families to afford decent housing;

(3) Ways to assure the availability of an adequate supply of mortgage credit to produce the volume of housing required to meet the goals set forth in housing and urban development laws; and

(4) The institutional changes, through legislation, administration, or tax incentives, that can be made among the Nation's financial institutions to encourage them to make available a larger share of capital funds for home financing purposes.

(g) The<sup>1</sup> Commission shall make an interim report not later than July 1, 1969, and shall make a final report of its study and recommendations not later than August 1, 1969, so as to enable the President, Congress, and the Secretary of Housing and Urban Development to take necessary action before October 1, 1969, when the authorization for the increase in interest rates above present statutory ceilings will expire.

(h) The Commission is authorized to secure directly from any department, bureau, agency, board, commission, office, independent establishment, or instrumentality of the executive branch of the Federal Government information, suggestions, estimates and statistics for the purposes of its work; and each department bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics to the extent permitted by law and within available funds.

(i)<sup>2</sup> The members of the Commission specified in paragraphs (1) through (5) of subsection (b) shall serve without additional compensation. The members of the Commission appointed under paragraph (6) of subsection (b) shall receive \$75 per diem when engaged in the performance of the duties of the Commission. All members of the Commission shall receive reimbursement for necessary traveling and subsistence expenses incurred by them in the performance of the duties of the Commission.

(j) The Secretary of Housing and Urban Development shall designate the Executive Director of the Commission. Financial and administrative services (including those relating to budgeting, accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the Department of Housing and Urban Development, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and said Department.

(k) The Commission shall have power to appoint and fix the compensation of such additional personnel as may be necessary to carry out its duties, without regard to the provisions of the civil service laws and the Classification Act of 1949.

(l) The Commission may also procure, without regard to the civil service laws and the Classification Act of 1949, temporary and intermittent services to the same extent as is authorized for the executive

<sup>1</sup> The original termination date (April 1, 1969) for the final report of the Commission was extended to July 1, 1969, by Public Law 91-9, approved April 11, 1969, 83 Stat. 7, and subsequently extended to August 1, 1969, by Public Law 91-38, approved July 1, 1969, 83 Stat. 43.

<sup>2</sup> Public Law 90-565, approved October 12, 1968, 82 Stat. 1001, made technical corrections in this subsection.

departments by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a) but at rates not to exceed \$50 per diem for individuals.

(m) To the extent of available appropriations, the Commission may obtain, by purchase, rental, donation, or otherwise, such additional property, facilities, and services as may be needed to carry out its duties.

(n) There are authorized to be appropriated,<sup>1</sup> out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this section.

(o) The Commission shall cease to exist sixty days after the submission of its final report.

\* \* \* \* \*

Approved May 7, 1968.

#### EXCERPT FROM VETERANS HOUSING AMENDMENTS OF 1976

[Public Law 94-324, 90 Stat. 720]

\* \* \* \* \*

SEC. 8. (a) The provisions of the constitution of any State expressly limiting the amount of interest which may be charged, taken, received, or reserved by certain classes of lenders and the provisions of any law of that State expressly limiting the amount of interest which may be charged, taken, received, or reserved shall not apply to—

(1) any loan or mortgage which is secured by a one- to four-family dwelling and which is (A) insured under title I or II of the National Housing Act, or (B) insured, guaranteed, or made under chapter 37 of title 38, United States Code; or

(2) any temporary construction loan or other interim financing if at the time such loan is made or financing is arranged, the intention to obtain permanent financing substantially by means of loans or mortgages so insured, guaranteed, or made is declared.

(b) The provisions of this section shall apply to such loans, mortgages, or other interim financing made or executed in any State until the effective date (after the date of enactment of this section) of a provision of law of that State limiting the amount of interest which may be charged, taken, received, or reserved on such loans, mortgages, or financing.

SEC. 9. (a) Except as provided in subsection (b), the provisions of this Act shall become effective on the date of enactment.

(b) Sections 2 and 3 shall become effective on October 1, 1976. Section 5 shall become effective on July 1, 1976.

Approved June 30, 1976.

#### EXCERPTS FROM REHABILITATION ACT OF 1973

[Public Law 93-112, 87 Stat. 355]

\* \* \* \* \*

#### MORTGAGE INSURANCE FOR REHABILITATION FACILITIES

SEC. 303. (a) It is the purpose of this section to assist and encourage the provision of urgently needed facilities for programs for handicapped individuals.

<sup>1</sup> See sec. 1604, Housing and Urban Development Act of 1968.



(b) For the purpose of this section the terms "mortgagee", "maturity date", and "State" shall have the meanings respectively set forth in section 207 of the National Housing Act.

(c) The Secretary, in consultation with the Secretary of Housing and Urban Development, and subject to the provisions of section 306, is authorized to insure up to 100 per centum of any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon, except that no mortgage of any public agency shall be insured under this section if the interest from such mortgage is exempt from Federal taxation.

(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers construction of a public or nonprofit rehabilitation facility, including equipment to be used in its operation, subject to the following conditions:

(1) The mortgage shall be executed by a mortgagor, approved by the Secretary, who demonstrates ability successfully to operate one or more programs for handicapped individuals. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to minimum charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts, with and acquire for not to exceed \$100 such stock of interest in, such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the Rehabilitation Facilities Insurance Fund (established by subsection (h) of this section), and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the rehabilitation facility, when the proposed improvements are completed and the equipment is installed, but not including any cost covered by grants in aid under this Act or any other Federal Act.

(3) The mortgage shall—

(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum on the principal obligation outstanding at any time as the Secretary finds necessary to meet the mortgage market.

(e) The Secretary shall fix and collect premium charges for the insurance of mortgages under this section which shall be payable annually in advance by the mortgagee, either in cash or in debentures of the Rehabilitation Facilities Insurance Fund (established by subsection (h) of this section) issued at par plus accrued interest. In the case of any mortgage such charge shall be not less than an amount equivalent to one-fourth of 1 per centum per annum nor more than

an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any one time, without taking into account delinquent payments or prepayments. In addition to the premium charge herein provided for, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project during construction, but such charges for appraisal and inspection shall not aggregate more than 1 per centum of the original principal face amount of the mortgage.

(f) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he shall by regulation prescribe.

(g) (1) The Secretary shall have the same functions, powers, and duties (insofar as applicable) with respect to the insurance of mortgages under this section as the Secretary of Housing and Urban Development has with respect to the insurance of mortgages under title II of the National Housing Act. The Secretary may, pursuant to a formal delegation agreement containing regulations prescribed by him, delegate to the Secretary of Housing and Urban Development authority to administer this section in accordance with such delegation agreement.

(2) The provisions of subsections (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 of the National Housing Act shall apply to mortgages insured under this section; except that, for the purposes of their application with respect to such mortgages, all references in such provisions to the General Insurance Fund shall be deemed to refer to the Rehabilitation Facilities Insurance Fund (established by subsection (h) of this section) and all references in such provisions to "Secretary" shall be deemed to refer to the Secretary of Health, Education, and Welfare.

(h) (1) There is hereby created a Rehabilitation Facilities Insurance Fund which shall be used by the Commissioner as a revolving fund for carrying out all the insurance provisions of this section. All mortgages insured under this section shall be insured under and be the obligation of the Rehabilitation Facilities Insurance Fund.

(2) The general expenses of the operations of the Rehabilitation Services Administration relating to mortgages insured under this section may be charged to the Rehabilitation Facilities Insurance Fund.

(3) Moneys in the Rehabilitation Facilities Insurance Fund not needed for the current operations of the Rehabilitation Services Administration with respect to mortgages insured under this section shall be deposited with the Treasurer of the United States to the credit of such fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Commissioner may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued as obligations of the Rehabilitation Facilities Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

(4) Premium charges, adjusted premium charges, and appraisals and other fees received on account of the insurance of any mortgage under this section, the receipts derived from property covered by such mortgages and from any claims, debts, contracts, property, and security assigned to the Secretary in connection therewith, and all earnings as the assets of the fund, shall be credited to the Rehabilitation Facilities Insurance Fund. The principal of, and interest paid and to be paid on, debentures which are the obligation of such fund, cash insurance payments, and adjustments, and expense incurred in the handling, management, renovation, and disposal of properties acquired, in connection with mortgages insured under this section, shall be charged to such fund.

(5) There are authorized to be appropriated to provide initial capital for the Rehabilitation Facilities Insurance Fund, and to assure the soundness of such fund thereafter, such sums as may be necessary, except that the total amount of outstanding mortgages insured shall not exceed \$200,000,000.

\* \* \* \* \*

Approved September 26, 1973.

#### NONDISCRIMINATION UNDER FEDERAL GRANTS

SEC. 504. No otherwise qualified handicapped individual in the United States, as defined in section 7(6), shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Approved September 26, 1973.

### FUNDS FOR COMMISSION ON MORTGAGE INTEREST RATES

#### EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476, 602, 12 U.S.C. 1709-1 note]

\* \* \* \* \*

#### COMMISSION ON MORTGAGE INTEREST RATES

SEC. 1604. Funds appropriated and available for studies of housing markets and credit as authorized by section 301 of the Housing Act of 1948 and section 602(a) of the Housing Act of 1956 shall be available for expenses of the Commission established by section 4(b) of Public Law 90-301, including the report required to be rendered by such Commission.

\* \* \* \* \*

Approved August 1, 1968.

### RIGHT OF REDEMPTION IN CASE OF SUBORDINATE LIENS OF FHA—RESALES OF FHA FINANCED HOUSING

#### EXCERPTS FROM THE HOUSING ACT OF 1950

[Public Law 475, 81st Congress; 64 Stat. 48; 12 U.S.C. 1701k and 1701l]



## TITLE V—MISCELLANEOUS PROVISIONS

\* \* \* \* \*

SEC. 505. The right to redeem provided for by title 28, United States Code, section 2410(c), shall not arise in any case in which the subordinate lien or interest of the United States derives from the issuance of insurance under the National Housing Act, as amended.

\* \* \* \* \*

SEC. 508. It is the intent of Congress that no sale of a dwelling on which a mortgage is insured under the National Housing Act, as amended, shall be financed, while such mortgage is so insured, at an interest rate higher than that prescribed by the Secretary of Housing and Urban Development. It is the further intent of Congress that no such sale shall be made, while such mortgage is so insured, on terms less favorable to the purchaser as to amortization, retirement, foreclosure, or forfeiture than those contained in such mortgage.

\* \* \* \* \*

Approved April 20, 1950.

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## BUILDERS WARRANTY—FHA HOUSING

## EXCERPTS FROM HOUSING ACT OF 1954

[Public Law 560, 83d Congress; 68 Stat. 590, 642; 12 U.S.C. 1701j]

SEC. 801. (a) The Secretary of Housing and Urban Development is hereby authorized and directed to require that, in connection with any property upon which there is located a dwelling designed principally for not more than a four-family residence and which is approved for mortgage insurance prior to the beginning of construction, the seller or builder, and such other person as may be required by the said Secretary to become warrantor, shall deliver to the purchaser or owner of such property a warranty that the dwelling is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein, which have been approved in writing by the Secretary of Housing and Urban Development) on which the Secretary of Housing and Urban Development based his valuation of the dwelling: *Provided*, That the Secretary of Housing and Urban Development shall deliver to the builder, seller, or other warrantor his written approval (which shall be conclusive evidence of such approval) of any amendment of, or change or variation in, such plans and specifications which the Secretary deems to be a substantial amendment thereof, or change or variation therein, and shall file a copy of such written approval with such plans and specifications: *Provided further*, That such warranty shall apply only with respect to such instances of substantial nonconformity to such approved plans and specifications (including any amendment thereof, or changes or variations therein, which have been approved in writing, as provided herein, by the Secretary of Housing and Urban Development) as to which the purchaser or homeowner has given written notice to the warrantor within one year from the date of conveyance of title to, or initial occupancy of, the dwelling, whichever first occurs: *Provided further*, That such warranty shall

be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument: *And provided further*, That the provisions of this section shall apply to any such property covered by a mortgage insured by the Secretary of Housing and Urban Development on and after October 1, 1954, unless such mortgage is insured pursuant to a commitment therefor made prior to October 1, 1954.

(b) The Secretary of Housing and Urban Development is further directed to permit copies of the plans and specifications (including written approvals of any amendments thereof, or changes or variations therein, as provided herein) for dwellings in connection with which warranties are required by subsection (a) of this section to be made available in their appropriate local offices for inspection or for copying by any purchaser, homeowner, or warrantor during such hours or periods of time as the said Secretary may determine to be reasonable.

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Approved August 2, 1954. \_\_\_\_\_

#### EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1970

[Public Law 91-609, 84 Stat. 1770, 1814, 12 U.S.C. 1709-2]

##### EQUITY SKIMMING

SEC. 912. Whoever, with intent to defraud, willfully engages in a pattern or practice of—

- (1) purchasing one- to four-family dwellings which are subject to a loan in default at time of purchase or in default within one year subsequent to the purchase and the loan is secured by a mortgage or deed of trust insured or held by the Secretary of Housing and Urban Development or guaranteed by the Veterans' Administration, or the loan is made by the Veterans' Administration,
  - (2) failing to make payments under the mortgage or deed of trust as the payments become due, and
  - (3) applying or authorizing the application of rents from such dwellings for his own use,
- shall be fined not more than \$5,000 or imprisoned not more than three years, or both. This section shall apply to a purchaser of such a dwelling, or a beneficial owner under any business organization or trust purchasing such dwelling, or to an officer, director, or agent of any such purchaser. Nothing in this section shall apply to the purchaser of only one such dwelling.

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Approved December 31, 1970. \_\_\_\_\_

#### CLOSING OF MILITARY BASES—MORTGAGE DEFAULT

#### EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1965

[Public Law 89-117, 79 Stat. 451, 459, 12 U.S.C. 1735g and 38 U.S.C. 1816a]

##### MORTGAGE RELIEF FOR CERTAIN HOMEOWNERS

SEC. 107<sup>1</sup> (a) For the purposes of this section—

- (1) The term "mortgage" means a mortgage which (A) is insured under the National Housing Act, or (B) secures a home

<sup>1</sup> Sec. 1012, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1253, 1288, amended that part of sec. 107 of the Housing and Urban Development Act of 1965 which precedes subsec. (f) to read as set forth in the text.

loan guaranteed or insured under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code.

(2) The term "Federal mortgage agency" means—

(A) the Secretary of Housing and Urban Development when used in connection with mortgages insured under the National Housing Act, and

(B) the Administrator of Veterans' Affairs when used in connection with mortgages securing home loans guaranteed or insured under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code.

(3) The term "distressed mortgagor" means an individual who—

(A) was employed by the Federal Government at, or was assigned as a serviceman to, a military base or other Federal installation and whose employment or service at such base or installation was terminated subsequent to November 1, 1964, as the result of the closing (in whole or in part) of such base or installation; and

(B) is the owner-occupant of a dwelling situated at or near such base or installation and upon which there is a mortgage securing a loan which is in default because of the inability of such individual to make payments due under such mortgage.

(b) (1) Any distressed mortgagor, for the purpose of avoiding foreclosure of his mortgage, may apply to the appropriate Federal mortgage agency for a determination that suspension of his obligation to make payments due under such mortgage during a temporary period is necessary in order to avoid such foreclosure.

(2) Upon receipt of an application made under this subsection by a distressed mortgagor, the Federal mortgage agency shall issue to such mortgagor a certificate of moratorium if it determines, after consultation with the interested mortgagee, that such action is necessary to avoid foreclosure.

(3) Prior to the issuance to any distressed mortgagor of a certificate of moratorium under paragraph (2), the Federal mortgage agency, the mortgagor, and the mortgagee shall enter into a binding agreement under which—

(A) the mortgagor will be required to make payments to such agency, after the expiration of such certificate, in an aggregate amount equal to the amount paid by such agency on behalf of such mortgagor as provided in subsection (c), together with interest thereon at a rate not to exceed the rate provided in the mortgage; the manner and time in which such payments shall be made to be determined by the Federal mortgage agency having due regard for the purposes sought to be achieved by this section; and

(B) the Federal mortgage agency will be subrogated to the rights of the mortgagee to the extent of payments made pursuant to such certificate, which rights, however, shall be subject to the prior right of the mortgagee to receive the full amount payable under the mortgage.



(4) Any certificate of moratorium issued under this subsection shall expire on whichever of the following dates is the earliest—

(A) two years from the date on which such certificate was issued;

(B) thirty days after the date on which the mortgagor gives notice in writing to the Federal mortgage agency that he is able to resume his obligation to make payments due under his mortgage; or

(C) thirty days after the date on which the Federal mortgage agency determines that the mortgagor to whom such certificate was issued has ceased to be a distressed mortgagor as defined in subsection (a) (3).

(c) (1) Whenever a Federal mortgage agency issues a certificate of moratorium to any distressed mortgagor with respect to any mortgage, it shall transmit to the mortgagee a copy of such certificate, together with a notice stating that, while such certificate is in effect, such agency will assume the obligation of such mortgagor to make payments due under the mortgage.

(2) Payments made by any Federal mortgage agency pursuant to a certificate of moratorium issued under this section with respect to the mortgage of any distressed mortgagor may include, in addition to the payments referred to in paragraph (1), an amount equal to the unpaid payments under such mortgage prior to the issuance of such certificate, plus a reasonable allowance for foreclosure costs actually paid by the mortgagee if a foreclosure action was dismissed as a result of the issuance of a moratorium certificate. Payments by the Federal mortgage agency may also include payments of taxes and insurance premiums on the mortgaged property as deemed necessary when these items are not provided for through payments to a tax and insurance account held by the interested mortgagee.

(3) While any certificate of moratorium issued under this section is in effect with respect to the mortgage of any distressed mortgagor, no further payments due under the mortgage shall be required of such mortgagor, and no action (legal or otherwise) shall be taken or maintained by the mortgagee to enforce or collect such payments. Upon the expiration of such certificate, the mortgagor shall again be liable for the payment of all amounts due under the mortgage in accordance with its terms.

(4) Each Federal mortgage agency shall give prompt notice in writing to the interested mortgagor and mortgagee of the expiration of any certificate of moratorium issued by it under this section.

(d) The Federal mortgage agencies are authorized to issue such individual and joint regulations as may be necessary to carry out this section and to insure the uniform administration thereof.

(e) There shall be in the Treasury (1) a fund which shall be available to the Secretary of Housing and Urban Development for the purpose of extending financial assistance in behalf of distressed mortgagors as provided in subsection (c) and for paying administrative expenses incurred in connection with such assistance, and (2) a fund which shall be available to the Administrator of Veterans' Affairs for the same purpose, except administrative expenses. The capital of each

such fund shall consist of such sums as may, from time to time, be appropriated thereto, and any sums so appropriated shall remain available until expended. Receipts arising from the programs of assistance under subsection (c) shall be credited to the fund from which such assistance was extended. Moneys in either of such funds not needed for current operations, as determined by the Secretary of Housing and Urban Development, or the Administrator of Veterans' Affairs, as the case may be, shall be invested in bonds or other obligations of the United States, or paid into the Treasury as miscellaneous receipts.

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ACQUISITION OF CERTAIN PROPERTIES SITUATED AT OR NEAR MILITARY  
BASES WHICH HAVE BEEN ORDERED TO BE CLOSED

SEC. 108.<sup>1</sup>

\* \* \* \* \*

Approved August 10, 1965.

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<sup>1</sup> See sec. 1013, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1290, which replaced and repealed sec. 108.

## LOW-RENT PUBLIC HOUSING

### EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93-383, 88 Stat. 633]

#### TITLE II—ASSISTED HOUSING

##### AMENDMENT TO THE UNITED STATES HOUSING ACT OF 1937

SEC. 201. (a) The United States Housing Act of 1937 is amended to read as follows:

##### SHORT TITLE

SECTION 1. This Act may be cited as the "United States Housing Act of 1937".

##### DECLARATION OF POLICY

SEC. 2. It is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income and, consistent with the objectives of this Act, to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs. No person should be barred from serving on the board of directors or similar governing body of a local public housing agency because of his tenancy in a low-income housing project.

##### DEFINITIONS

SEC. 3. When used in this Act—

(1) The term, "low-income housing" means decent, safe, and sanitary dwellings within the financial reach of families of low income, and embraces all necessary appurtenances thereto. Except as otherwise provided in this section, income limits for occupancy and rents shall be fixed by the public housing agency and approved by the Secretary. The rental for any dwelling unit shall not exceed one-fourth of the family's income as defined by the Secretary. Notwithstanding the preceding sentence, the rental for any dwelling unit shall not be less than the higher of (A) 5 per centum of the gross income of the family occupying the dwelling unit, and (B) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated. At least 20 per centum of the dwelling units in any project placed under annual contributions contracts in any fiscal year beginning after the effective date of this section shall be occupied by very low-income families. In



defining the income of any family for the purpose of this Act, the Secretary shall consider income from all sources of each member of the family residing in the household, except that there shall be excluded—

(A) the income of any family member (other than the head of the household or his spouse) who is under eighteen years of age or is a full-time student;

(B) the first \$300 of the income of a secondary wage earner who is the spouse of the head of the household;

(C) an amount equal to \$300 for each member of the family residing in the household (other than the head of the household or his spouse) who is under eighteen years of age or who is eighteen years of age or older and is disabled or handicapped or a full-time student;

(D) nonrecurring income, as determined by the Secretary;

(E) 5 per centum of the family's gross income (10 per centum in the case of elderly families);

(F) such extraordinary medical or other expenses as the Secretary approves for exclusion; and

(G) an amount equal to the sums received by the head of the household or his spouse from, or under the direction of, any public or private nonprofit child placing agency for the care and maintenance of one or more persons who are under eighteen years of age and were placed in the household by such agency.

(2) The term "low-income families" means families of low income who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use. The term "very low-income families" means families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families. The term "families" includes families consisting of a single person in the case of (A) a person who is at least sixty-two years of age or is under a disability as defined in section 223 of the Social Security Act or in section 102(a)(5)<sup>1</sup> of the Developmental Disabilities Services and Facilities Construction Amendments of 1970, or is handicapped, (B) a displaced person, (C) the remaining member of a tenant family and<sup>2</sup> (D) other single persons in circumstances described in regulations of the Secretary: *Provided*, That in no event shall more than 15<sup>3</sup> percent of the units under the jurisdiction of any public housing agency be occupied by single persons under this clause (D): *Provided further*, That in determining priority for admission to housing under this Act the Secretary shall give preference to those single persons who are elderly, handicapped, or displaced before those eligible under this clause (D); and the term "elderly families" means families whose heads (or their spouses), or whose sole members, are persons described in clause (A). A person shall

<sup>1</sup> Title II, Assisted Housing, of Public Law 93-383, section 201(a) adds a new section 3(2)(A) which contained a technical error which would have made an incorrect reference to section 102(5) instead of section 102(a)(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1970.

<sup>2</sup> Sec. 2(f) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section (3)(2) of the United States Housing Act of 1937 by deleting the word "and" before "(C)" and inserting before the semicolon a new clause "(D)."

<sup>3</sup> Sec. 206(c), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, amended this section by striking out "10" and inserting in lieu thereof "15".

be considered handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have an impairment which (i) is expected to be of long-continued and indefinite duration, (ii) substantially impedes his ability to live independently, and (iii) is of such a nature that such ability could be improved by more suitable housing conditions. The term "displaced person" means a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to Federal disaster relief laws. Notwithstanding the preceding provisions of this paragraph, the term "elderly families" includes two or more elderly, disabled, or handicapped individuals living together, or one or more such individuals living with another person who is determined under regulations of the Secretary to be a person essential to their care or well being.

(3) The term "development" means any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, in connection with a low-income housing project. The term "development cost" comprises the cost incurred by a public housing agency in such undertakings and their necessary financing (including the payment of carrying charges), and in otherwise carrying out the development of such project. Construction activity in connection with a low-income housing project may be confined to the reconstruction, remodeling, or repair of existing buildings.

(4) The term "operation" means any or all undertakings appropriate for management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a low-income housing project. The term also means the financing of tenant programs and services for families residing in low-income housing projects, particularly where there is maximum feasible participation of the tenants in the development and operation of such tenant programs and services. As used in this paragraph, the term "tenant programs and services" includes the development and maintenance of tenant organizations which participate in the management of low-income housing projects; the training of tenants to manage and operate such projects and the utilization of their services in project management and operation; counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

(5) The term "acquisition cost" means the amount prudently required to be expended by a public housing agency in acquiring a low-income housing project.

(6) The term "public housing agency" means any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of low-income housing.



(7) The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, the Trust Territory of the Pacific Islands, and Indian tribes, bands, groups, and Nations, including Alaska Indians, Aleuts and Eskimos, of the United States.

(8) The term "Secretary" means the Secretary of Housing and Urban Development.

(9) The term "low-income housing project" or "project" means (A) any low-income housing developed, acquired, or assisted by a public housing agency under this Act, and (B) the improvement of any such housing.

#### LOANS FOR LOW-INCOME HOUSING PROJECTS

SEC. 4. (a) The Secretary may make loans or commitments to make loans to public housing agencies to help finance or refinance the development, acquisition, or operation of low-income housing projects by such agencies. Any contract for such loans and any amendment to a contract for such loans shall provide that such loans shall bear interest at a rate specified by the Secretary which shall not be less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus one-eighth of 1 per centum. Such loans shall be secured in such manner and shall be repaid within such period not exceeding forty years, or not exceeding forty years from the date of the bonds evidencing the loan, as the Secretary may determine. The Secretary may require loans or commitments to make loans under this section to be pledged as security for obligations issued by a public housing agency in connection with a low-income housing project.

(b) The Secretary may issue and have outstanding at any one time notes and other obligations for purchase by the Secretary of the Treasury in an amount which will not, unless authorized by the President, exceed \$1,500,000,000. For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies. Such notes or other obligations shall be in such forms and denominations and shall be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. The notes or other obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any notes or other obligations of the Secretary issued hereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.



## ANNUAL CONTRIBUTIONS FOR LOW-INCOME HOUSING PROJECTS

SEC. 5. (a) The Secretary may make annual contributions to public housing agencies to assist in achieving and maintaining the low-income character of their projects. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment. The contribution payable annually under this section shall in no case exceed a sum equal to the annual amount of principal and interest payable on obligations issued by the public housing agency to finance the development or acquisition cost of the low-income project involved. The amount of annual contributions which would be established for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established under this section for a project by such public housing agency which would provide housing for the comparable number, sizes, and kinds of families through the acquisition and rehabilitation, or use under lease, of structures which are suitable for low-income housing use and obtained in the local market. Annual contributions payable under this section shall be pledged, if the Secretary so requires, as security for obligations issued by a public housing agency to assist the development or acquisition of the project to which annual contributions relate and shall be paid over a period not to exceed forty years.

(b) The Secretary may prescribe regulations fixing the maximum contributions available under different circumstances, giving consideration to cost, location, size, rent-paying ability of prospective tenants, or other factors bearing upon the amounts and periods of assistance needed to achieve and maintain low rentals. Such regulations may provide for rates of contribution based upon development, acquisition, or operation costs, number of dwelling units, number of persons housed, interest charges, or other appropriate factors.

(c)<sup>1</sup> The Secretary is authorized to enter into contracts for annual contributions aggregating not more than \$1,524,000,000 per annum, which limit shall be increased by \$965,000,000 on July 1, 1974, by \$662,300,000 on July 1, 1975; by \$1,228,050,000<sup>2</sup> on October 1, 1976, by \$1,159,995,000 on October 1, 1977,<sup>2</sup> and by \$1,195,043,000 on October 1, 1978,<sup>2</sup> except that the additional authority to enter into contracts for annual contributions provided on or after July 1, 1975, shall be effective only in such amounts as may be approved in appropriation Acts. The Secretary, in utilizing the additional authority to enter into contracts for annual contributions provided on October 1, 1976, and on and after October 1, 1978, shall administer the programs authorized by this Act to provide assistance for new, substantially re-

<sup>1</sup> Sec. 2(a)(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended the first sentence of Section 5(c) of the United States Housing Act of 1937 to read as set forth in the text.

<sup>2</sup> Supplemental Housing Authorization Act of 1977, Public Law 95-24, approved April 30, 1977, amended the first sentence of Section 5(c) by deleting "and by \$850,000,000 on October 1, 1976" and inserting in lieu thereof "and by \$1,228,050,000 on October 1, 1976; this sentence was further amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by deleting "and" following "July 1, 1975" the first time it appears; and by inserting after "October 1, 1976" the following: "and by \$1,159,995,000 on October 1, 1977". The first sentence was further amended by Sec. 206(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved Oct. 31, 1978, by striking out "and" immediately after "October 1, 1976", and by inserting immediately after "on October 1, 1977" the following: "and by \$1,195,043,000 on October 1, 1978." The same section further amended Section 5(c) by striking out the second and fourth sentences, and by inserting "and on and after October 1, 1978" immediately after "October 1, 1976" in the third sentence.

habilitated, and existing units, to the maximum extent practicable and consistent with section 213(d) of the Housing and Community Development Act of 1974, in accordance with the goals of units of general local government for such types of housing as reflected in their housing assistance plans prepared pursuant to section 104(a)(4) of such Act.<sup>1</sup> Of the additional authority to enter into contracts for annual contributions provided on October 1, 1978, and approved in appropriation Acts, the Secretary shall make available not less than \$50,000,000 for modernization of low-income housing projects.<sup>2</sup>

In addition,<sup>3</sup> the Secretary shall enter into the contracts for annual contributions, out of the aggregate amount of contracts for annual contributions authorized under this section to be entered into on or after July 1, 1974, aggregating at least \$15,000,000 per annum, which amount shall be increased by not less than \$15,000,000 per annum, on July 1, 1975, and by not less than \$17,000,000 per annum on October 1, 1976,<sup>4</sup> to assist in financing the development or acquisition cost of low-income housing for families who are members of any Indian tribe, band, pueblo, group, or community of Indians or Alaska Natives which is recognized by the Federal Government as eligible for service from the Bureau of Indian Affairs, or who are wards of any State governments, except that none of the funds made available under this sentence shall be available for use under section 8. For the purpose of the preceding sentence, the annual contributions for a project shall, notwithstanding any other provision of this Act, be equal to the difference between the sum of the total debt service payment plus approved operating costs, and the rental payments that tenants are required to make under section 3(1) of this Act. The Secretary shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there are hereby

<sup>1</sup> Sec. 2(a)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended the second and third sentences of section 5(c) of the United States Housing Act of 1937 to read as set forth in the text. The effective date of this amendment is October 1, 1976. Prior to this amendment, the second and third sentences read as follows: "Of the aggregate amount of contracts for annual contributions authorized to be entered into on or after July 1, 1974, the Secretary shall enter into contracts for annual contributions aggregating at least \$150,000,000 per annum to assist in financing the development or acquisition cost of low-income housing projects to be owned by public housing agencies. Not more than 50 per centum of the dwelling units placed under contract pursuant to the preceding sentence may be constructed or substantially rehabilitated for ownership by public housing agencies under section 8 of this Act."

<sup>2</sup> Housing of Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, added the following language: Of the additional authority to enter into contracts for annual contributions provided on October 1, 1977, and approved in appropriation Acts, the Secretary shall make available not less than \$42,500,000 for modernization of low-income housing projects, not less than \$197,139,200 for low-income housing projects permanently financed by loans from State housing finance or State development agencies, as defined in section 802(b)(2)(A) of the Housing and Community Development Act of 1974, and not less than \$120,000,000 for low-income housing projects permanently financed by loans pursuant to section 202 of the Housing Act of 1959. This sentence was replaced with the sentence in the text by Sec. 206(b), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved Oct. 31, 1978.

<sup>3</sup> Sec. 2(b)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, deleted the following words in the fourth sentence of section 5(c): "to the amount of contracts for annual contributions required to be entered into by the Secretary under the second sentence of this subsection". The effective date of this amendment is October 1, 1976.

<sup>4</sup> Sec. 2(a)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 5(c) of the United States Housing Act of 1937, by inserting after "July 1, 1975," the following: "and by not less than \$17,000,000 per annum on October 1, 1976."



authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments. All payments of annual contributions pursuant to this section shall be made out of any funds available for purposes of this Act when such payments are due, except that funds obtained through the issuance of obligations pursuant to section 4(b) (including repayments or other realizations of the principal of loans made out of such funds) shall not be available for the payment of such annual contributions. In addition to any other authority to enter into annual contribution contracts under this subsection, the Secretary may, subject to approval in appropriation Acts, enter into such contracts aggregating not more than \$10,000,000 per annum for financing the purchase and installation of energy conserving improvements (as defined in subparagraph (2) of the last paragraph of section 2(a) of the National Housing Act) in existing low-income housing projects, other than projects assisted under section 8, which the Secretary determines have the greatest need for such improvements based on the energy consumption of the projects and the amount of such consumption which can be reduced by such improvements.<sup>1</sup>

(d) Any contract for loans or annual contributions, or both, entered into by the Secretary with a public housing agency, may cover one or more than one low-income housing project owned by such public housing agency; in the event the contract covers two or more projects, such projects may, for any of the purposes of this Act and of such contract (including, but not limited to, the determination of the amount of the loan, annual contributions, or payments in lieu of taxes, specified in such contract), be treated collectively as one project.

(e) In recognition that there should be local determination of the need for low-income housing to meet needs not being adequately met by private enterprise—

(1) the Secretary shall not make any contract with a public housing agency for preliminary loans (all of which shall be repaid out of any moneys which become available to such agency for the development of the projects involved) for surveys and planning in respect to any low-income housing projects (i) unless the governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan; and (ii) unless the public housing agency has demonstrated to the satisfaction of the Secretary that there is need for such low-income housing which is not being met by private enterprise; and

(2) the Secretary shall not make any contract for loans (other than preliminary loans) or for annual contributions pursuant to this Act unless the governing body of the locality involved has entered into an agreement with the public housing agency providing for the local cooperation required by the Secretary pursuant to this Act.

(f) Subject to the specific limitations or standards in this Act governing the terms of sales, rentals, leases, loans, contracts for annual contributions, or other agreements, the Secretary may, whenever he deems it necessary or desirable in the fulfillment of the purposes of

<sup>1</sup> This sentence was added by Sec. 251(a), National Energy Conservation Policy Act, P.L. 95-619, 92 Stat. 3206, approved November 9, 1978.



this Act, consent to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, security, amount of annual contribution, or any other term, of any contract or agreement of any kind to which the Secretary is a party. When the Secretary finds that it would promote economy or be in the financial interest of the Federal Government or is necessary to assure or maintain the low-income character of the project or projects involved, any contract heretofore or hereafter made for annual contributions, loans, or both, may be amended or superseded by a contract entered into by mutual agreement between the public housing agency and the Secretary. Contracts may not be amended or superseded in a manner which would impair the rights of the holders of any outstanding obligations of the public housing agency involved for which annual contributions have been pledged. Any rule of law contrary to this provision shall be deemed inapplicable.

(g) In addition to the authority of the Secretary under subsection (a) to pledge annual contributions as security for obligations issued by a public housing agency, the Secretary is authorized to pledge annual contributions as a guarantee of payment by a public housing agency of all principal and interest on obligations issued by it to assist the development or acquisition of the project to which the annual contributions relate, except that no obligation shall be guaranteed under this subsection if the income thereon is exempt from Federal taxation.

(h) Notwithstanding any other provision of law, a public housing agency may sell a low-income housing project to its low-income tenants, on such terms and conditions as the agency may determine, without affecting the Secretary's commitment to pay annual contributions with respect to that project, but such contributions shall not exceed the maximum contributions authorized under subsection (a) of this section.

#### CONTRACT PROVISIONS AND REQUIREMENTS

SEC. 6. (a) Secretary may include in any contract for loans, annual contributions, sale, lease, mortgage, or any other agreement or instrument made pursuant to this Act, such covenants, conditions, or provisions as he may deem necessary in order to insure the low-income character of the project involved. Any such contract may contain a condition requiring the maintenance of an open space or playground in connection with the housing project involved if deemed necessary by the Secretary for the safety or health of children. Any such contract shall require that, except in the case of housing predominantly for the elderly, high-rise elevator projects shall not be provided for families with children unless the Secretary makes a determination that there is no practical alternative.

(b) Every contract made pursuant to this Act for loans (other than preliminary loans) or annual contributions shall provide that the cost of construction and equipment of the project (excluding land, demolition, and nondwelling facilities) on which the computation of any annual contributions under this Act may be based shall not exceed by more than 10 per centum the appropriate prototype cost for the area. The prototype costs shall be determined at least annually by the Secretary on the basis of his estimate of the construction costs of new dwelling units of various types and sizes in the area suitable for

occupancy by persons assisted under this Act. In making his determination the Secretary shall take into account (1) the extra durability required for safety and security and economical maintenance of such housing, (2) the provision of amenities designed to guarantee a safe and healthy family life and neighborhood environment, (3) the application of good design as an essential component of such housing for safety and security as well as other purposes, (4) the maintenance of quality in architecture to reflect the standards of the neighborhood and community, (5) the need for maximizing the conservation of energy for heating, lighting, and other purposes, (6) the effectiveness of existing cost limits in the area, and (7) the advice and recommendations of local housing producers. The prototype costs for any area shall become effective upon the date of publication in the Federal Register.

(c) Every contract for annual contributions shall provide that—

(1) the Secretary may require the public housing agency to review and revise its maximum income limits if the Secretary determines that changed conditions in the locality make such revision necessary in achieving the purposes of this Act;

(2) the public housing agency shall determine, and so certify to the Secretary, that each family in the project was admitted in accordance with duly adopted regulations and approved income limits; and the public housing agency shall review the incomes of families living in the project at intervals of two years (or at shorter intervals where the Secretary deems it desirable);

(3) the public housing agency shall promptly notify (i) any applicant determined to be ineligible for admission to the project of the basis for such determination and provide the applicant upon request, within a reasonable time after the determination is made, with an opportunity for an informal hearing on such determination, and (ii) any applicant determined to be eligible for admission to the project of the approximate date of occupancy insofar as such date can be reasonably determined; and

(4) the public housing agency shall comply with such procedures and requirements as the Secretary may prescribe to assure that sound management practices will be followed in the operation of the project, including requirements pertaining to—

(A) the establishment of tenant selection criteria designed to assure that, within a reasonable period of time, the project will include families with a broad range of incomes and will avoid concentrations of low-income and deprived families with serious social problems, but this shall not permit maintenance of vacancies to await higher income tenants where lower income tenants are available;

(B) the establishment of satisfactory procedures designed to assure the prompt payment and collection of rents and the prompt processing of evictions in the case of nonpayment of rent;

(C) the establishment of effective tenant-management relationships designed to assure that satisfactory standards of tenant security and project maintenance are formulated and that the public housing agency (together with tenant councils where they exist) enforces those standards fully and effectively; and



(D) the development by local housing authority managements of viable homeownership opportunity programs for low-income families capable of assuming the responsibilities of homeownership.

(d) Every contract for annual contributions with respect to a low-income housing project shall provide that no annual contributions by the Secretary shall be made available for such project unless such project (exclusive of any portion thereof which is not assisted by annual contributions under this Act) is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and such contract shall require the public housing agency to make payments in lieu of taxes equal to 10 per centum of the sum of the annual shelter rents charged in such project, or such lesser amount as (i) is prescribed by State law, or (ii) is agreed to by the local governing body in its agreement for local cooperation with the public housing agency required under section 5(e)(2) of this Act, or (iii) is due to failure of a local public body or bodies other than the public housing agency to perform any obligation under such agreement. If any such project is not exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision, such contract shall provide, in lieu of the requirement for tax exemption and payments in lieu of taxes, that no annual contributions by the Secretary shall be made available for such project unless and until the State, city, county, or other political subdivision in which such project is situated shall contribute, in the form of cash or tax remission, the amount by which the taxes paid with respect to the project exceed 10 per centum of the annual shelter rents charged in such project.

(e) Every contract for annual contributions shall provide that whenever in any year the receipts of a public housing agency in connection with a low-income housing project exceed its expenditures (including debt service, operation, maintenance, establishment of reserves, and other costs and charges), an amount equal to such excess shall be applied, or set aside for application, to purposes which, in the determination of the Secretary, will effect a reduction in the amount of subsequent annual contributions.

(f) Every contract for annual contributions shall provide that when the public housing agency and the Secretary mutually agree that a housing project is obsolete as to physical condition, or location, or other factors, making it unusable for housing purposes, a program of modifications or closeout shall be prepared. If it is mutually determined that such project can be returned to useful life, then the Secretary is authorized to utilize such annual contributions as are necessary to enable the local public housing agency to undertake an agreed-upon program of modifications. If it is mutually determined that no program of modifications is feasible or that such a program would not return the housing to a useful life, then the Secretary is authorized to prepare a closeout program, utilizing such annual contributions as are necessary to accommodate the outstanding indebtedness on the project, the cost of demolition (if the physical improvements are not to be sold), and the cost of relocating displaced families into satisfactory replacement housing. The net closeout cost



to the Federal Government shall take into consideration any receipts from the sale of physical improvements, land, or other assets, pursuant to the provisions of the annual contributions contract.

(g) Every contract for annual contributions (including contracts which amend or supersede contracts previously made) may provide that—

(1) upon the occurrence of a substantial default in respect to the covenants or conditions to which the public housing agency is subject (as such substantial default shall be defined in such contract), the public housing agency shall be obligated at the option of the Secretary either to convey title in any case where, in the determination of the Secretary (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act, or to deliver to the Secretary possession of the project, as then constituted, to which such contract relates; and

(2) the Secretary shall be obligated to reconvey or redeliver possession of the project, as constituted at the time of reconveyance or redelivery, to such public housing agency or to its successor (if such public housing agency or a successor exists) upon such terms as shall be prescribed in such contract, and as soon as practicable (i) after the Secretary is satisfied that all defaults with respect to the project have been cured, and that the project will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or (ii) after the termination of the obligation to make annual contributions available unless there are any obligations or covenants of the public housing agency to the Secretary which are then in default. Any prior conveyances and reconveyances or deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the project to the Secretary pursuant to subparagraph (1) upon the subsequent occurrence of a substantial default.

Whenever such a contract for annual contributions includes provisions which the Secretary in such contract determines are in accordance with this subsection, and the portion of the annual contribution payable for debt service requirements pursuant to such contract has been pledged by the public housing agency as security for the payment of the principal and interest on any of its obligations, the Secretary (notwithstanding any other provisions of this Act) shall continue to make such annual contributions available for the project so long as any of such obligations remain outstanding, and may covenant in such contract that in any event such annual contributions shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the project for the purpose at the time such annual contribution is made, will suffice for the payment of all installments, falling due within the next succeeding twelve months, of principal and interest on the obligations for which the annual contributions provided for in the contract shall have been pledged as security. In no case shall such annual contributions be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

## CONGREGATE HOUSING

SEC. 7. The Secretary shall encourage public housing agencies, in providing housing predominantly for displaced or elderly families, to design, develop, or otherwise acquire such housing to meet the special needs of the occupants and, wherever practicable, for use in whole or in part as congregate housing: *Provided*, That not more than 10 per centum of the total amount of contracts for annual contributions entered into <sup>1</sup> any fiscal year pursuant to the new authority granted under section 202 of the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units in congregate housing. As used in this section, the term "congregate housing" means (1) low-rent housing which, as of January 1, 1979, was built or under construction, with which there is connected a central dining facility where wholesome and economical meals can be served to such occupants; or (2) low-rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for such occupants. Such occupants of congregate housing may also be provided with other supportive services appropriate to their needs under title IV of the Housing and Community Development Amendments of 1978.<sup>2</sup> As used in this section the term "congregate housing" means low-income housing (A) in which some or all of the dwelling units do not have kitchen facilities, and (B) connected with which there is a central dining facility to provide wholesome and economical meals for elderly and displaced families under terms and conditions prescribed by the public housing agency to permit a generally self-supporting operation. Expenditures incurred by a public agency in the operation of a central dining facility in connection with congregate housing (other than the cost of providing food and service) shall be considered one of the costs of operation of the project.

## LOWER-INCOME HOUSING ASSISTANCE

SEC. 8. (a) For the purpose of aiding lower-income families in obtaining a decent place to live and of promoting economically mixed housing, assistance payments may be made with respect to existing, newly constructed, and substantially rehabilitated housing in accordance with the provisions of this section.

(b) (1) The Secretary is authorized to enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make assistance payments to owners of existing dwelling units in accordance with this section. In areas where no public housing agency has been organized or where the Secretary determines that a public housing agency is unable to implement the provisions of this section, the Secretary is authorized to enter into such contracts and to perform the other functions assigned to a public housing agency by this section.

(2) To the extent of annual contributions authorizations under section 5(c) of this Act, the Secretary is authorized to make assistance payments pursuant to contracts with owners or prospective owners

<sup>1</sup> So in original. The word "in" probably should be inserted between "into" and "any".

<sup>2</sup> The preceding two sentences were added by Sec. 412, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.



who agree to construct or substantially rehabilitate housing in which some or all of the units shall be available for occupancy by lower-income families in accordance with the provisions of this section. The Secretary may also enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make assistance payments to such owners or prospective owners.

(c) (1) An assistance contract entered into pursuant to this section shall establish the maximum monthly rent (including utilities and all maintenance and management charges) which the owner is entitled to receive for each dwelling unit with respect to which such assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this section, except that the maximum monthly rent may exceed the fair market rental by more than 10 but not more than 20 per centum where the Secretary determines that special circumstances warrant such higher maximum rent or that such higher rent is necessary to the implementation of a local housing assistance plan as defined in section 213(a) (5) of the Housing and Community Development Act of 1974. Proposed fair market rentals for an area shall be published in the Federal Register with reasonable time for public comment, and shall become effective upon the date of publication in final form in the Federal Register. Notwithstanding any other provision of this section, after the date of enactment of the Housing and Community Development Act of 1977, the Secretary shall prohibit high-rise elevator projects for families with children unless there is no practical alternative.<sup>1</sup>

(2) (A) The assistance contract shall provide for adjustment annually or more frequently in the maximum monthly rents for units covered by the contract to reflect changes in the fair market rentals established in the housing area for similar types and sizes of dwelling units or, if the Secretary determines, on the basis of a reasonable formula.

(B) The contract shall further provide for the Secretary to make additional adjustments in the maximum monthly rent for units under contract to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs which are not adequately compensated for by the adjustment in the maximum monthly rent authorized by subparagraph (A).

(C) Adjustments in the maximum rents as hereinbefore provided shall not result in material differences between the rents charged for assisted and comparable unassisted units, as determined by the Secretary.

(3) The amount of the monthly assistance payment with respect to any dwelling unit, in the case of a large very low-income family, a very large lower income family, or a family with exceptional medical

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Section 8(c) (1) as set forth in the text.



or other expenses, as determined by the Secretary, shall be the difference between 15 per centum of one-twelfth of the annual income of the family occupying the dwelling unit and the maximum monthly rent which the contract provides that the owner is to receive for the unit. In the case of other families, the Secretary shall establish the amount of the assistance payment as the difference between not less than 15 per centum nor more than 25 per centum of the family's income and the maximum rent, taking into consideration the income of the family, the number of minor children in the household, and the extent of medical or other unusual expenses incurred by the family. Reviews of family income shall be made no less frequently than annually (except that such reviews may be made at intervals no longer than two years in the case of families who are elderly families).

(4)<sup>1</sup> The assistance contract shall provide that assistance payments may be made only with respect to a dwelling unit under lease for occupancy by a family determined to be a lower income family at the time it initially occupied such dwelling unit, except that such payments may be made with respect to unoccupied units for a period not exceeding sixty days (A) in the event that a family vacates a dwelling unit before the expiration date of the lease for occupancy or (B) where a good faith effort is being made to fill an unoccupied unit, and, subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project.<sup>2</sup>

(5) Assistance payments may be made with respect to up to 100 per centum of the dwelling units in any structure upon the application of the owner or prospective owner. Within the category of projects containing more than fifty units and designed for use primarily by nonelderly and nonhandicapped persons, the Secretary may give preference to applications for assistance involving not more than 20 per centum of the dwelling units in a project. In according any such preference, the Secretary shall compare applications received during distinct time periods not exceeding sixty days in duration.

(6) The Secretary shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Section 8(c)(4) by deleting "(1) if the unoccupied unit is in a project insured under the National Housing Act, except pursuant to section 244 of such Act, or (11)".

<sup>2</sup> Sec. 2(d) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 8(c)(4) of the United States Housing Act of 1937 to read as set forth in the text.

(7) At least 30 per centum of the families assisted under this section with annual allocations of contract authority shall be very low-income families at the time of the initial renting of dwelling units.

(8) To the extent authorized in contracts entered into by the Secretary with a public housing agency, such agency may purchase any structure containing one or more dwelling units assisted under this section for the purpose of reselling the structure to the tenant or tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale may be made on the terms and conditions prescribed under section 5(h) and subject to the limitation contained in such section.

(d)(1) Contracts to make assistance payments entered into by a public housing agency with an owner of existing housing units shall provide (with respect to any unit) that—

(A) the selection of tenants for such unit shall be the function of the owner, subject to the provisions of the annual contributions contract between the Secretary and the agency;

(B) the agency shall have the sole right to give notice to vacate, with the owner having the right to make representation to the agency for termination of tenancy;

(C) maintenance and replacement (including redecoration) shall be in accordance with the standard practice for the building concerned as established by the owner and agreed to by the agency; and

(D) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them.

(2) Each contract for an existing structure entered into under this section shall be for a term of not less than one month nor more than one hundred and eighty months.

(3)<sup>1</sup> Notwithstanding any other provision of law, with the approval of the Secretary the public housing agency administering a contract under this section with respect to existing housing units may exercise all management and maintenance responsibilities with respect to those units pursuant to a contract between such agency and the owner of such units.

(e)(1) The Secretary shall not contract to make assistance payments with respect to a newly constructed or substantially rehabilitated dwelling unit for a term of less than one month or more than three hundred and sixty months, except that such term may not exceed two hundred and forty months in the case of a project financed with assistance of a loan made by, or insured, guaranteed or intended for purchase by, the Federal Government, other than pursuant to section 244 of the National Housing Act.<sup>2</sup> Notwithstanding the preceding sentence, in the case of <sup>2</sup> a project owned by, or financed by a loan or loan guarantee from, a State or local agency or the Farmers' Home Administration,<sup>3</sup> the term may not exceed four hundred and eighty months.

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added a new paragraph (3).

<sup>2</sup> Supplemental Housing Authorization Act of 1977, Public Law 95-24, approved April 30, 1977, amended Sec. 8(e)(1) by deleting "two hundred and forty months" and inserting in lieu thereof the language set forth in the text.

<sup>3</sup> Sec. 2(g) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 8(e)(1) by inserting the words "Farmers' Home Administration" after "State or local agency."



(2) The contract between the Secretary and the owner with respect to newly constructed or substantially rehabilitated dwelling units shall provide that all ownership, management, and maintenance responsibilities, including the selection of tenants and the termination of tenancy, shall be assured by the owner (or any entity, including a public housing agency, approved by the Secretary, with which the owner may contract for the performance of such responsibilities). In approving any public housing agency to assume all the management and maintenance responsibilities of any dwelling unit under the preceding sentence, the Secretary may do so without regard to whether such agency administers the housing assistance payment contract for that unit.<sup>1</sup>

(3) The construction or substantial rehabilitation of dwelling units to be assisted under this section shall be eligible for financing with mortgages insured under the National Housing Act. Assistance with respect to such dwelling units shall not be withheld or made subject to preferences by reason of the availability of mortgage insurance pursuant to section 244 of such Act or by reason of the tax-exempt status of the bonds or other obligations to be used to finance such construction or rehabilitation.

(4) Nothing in this Act shall be deemed to prohibit an owner from pledging, or offering as security for any loan or obligation, a contract for assistance payments entered into pursuant to this section: *Provided*, That such security is in connection with a project constructed or rehabilitated pursuant to authority granted in this section, and the terms of the financing or any refinancing have been approved by the Secretary.

(5) For the purpose of upgrading and thereby preserving the Nation's housing stock, the Secretary is authorized to make assistance payments under this section directly or through public housing agencies pursuant to contracts with owners or prospective owners who agree to upgrade housing so as to make and keep such housing decent, safe, and sanitary through upgrading which involves less than substantial rehabilitation, as such upgrading and rehabilitation are defined by the Secretary. The Secretary is authorized to prescribe such terms and conditions for contracts entered into under this section pursuant to this paragraph as the Secretary determines to be necessary and appropriate, except that such terms and conditions, to the maximum extent feasible, shall be consistent with terms and conditions otherwise applicable with respect to other dwelling units assisted under this section. The Secretary is also authorized to make assistance available under this section pursuant to this paragraph to any unit in a housing project which on an overall basis, reflects the need for such upgrading.<sup>2</sup>

(f) As used in this section—

(1) the term "lower income families" means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added a new sentence at the end of Section 8(e)(2) as set forth in the text.

<sup>2</sup> Added by Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, Sec. 206(e) approved Oct. 31, 1978.



of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors;

(2) the term "very low-income families" means those families whose incomes do not exceed 50 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families;

(3) the term "income" means income from all sources of each member of the household, as determined in accordance with criteria prescribed by the Secretary;

(4) the term "owner" means any private person or entity, including a cooperative, or a public housing agency, having the legal right to lease or sublease newly constructed or substantially rehabilitated dwelling units as described in this section;

(5) the terms "rent" or "rental" mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative; and

(6)<sup>1</sup> the term "debt service" means the required payments for principle and interest made with respect to a mortgage secured by housing assisted under this Act.

(g) Notwithstanding any other provision of this Act, assistance payments under this section may be provided, in accordance with regulations prescribed by the Secretary, with respect to some or all of the units in any project approved pursuant to section 202 of the Housing Act of 1959.

(h) The provisions of sections 3(1), 5(e), and 6, and any other provisions of this Act, which are inconsistent with the provisions of this section shall not apply to contracts for assistance entered into under this section.

(i)<sup>2</sup> In entering into contracts under this section with respect to substantially rehabilitated dwelling units, the Secretary shall provide that—

(1) the maximum monthly rent permitted for the assisted units be not greater than the amount permitted under subsection (c) or a lesser amount which the Secretary determines is appropriate taking into consideration the investment of the owner in the assisted units and such other factors as the Secretary determines to be relevant;

(2) the assisted units be rehabilitated to a level which meets but does not exceed applicable codes and standards for decent, safe, and sanitary housing which are prescribed by the Secretary;

(3) all the dwelling units in the housing structure in which the assisted units are located meet applicable codes and standards prescribed by the Secretary for decent, safe, and sanitary housing;

(4) the term of any such contract does not exceed the maximum term permitted under subsection (e)(1) or a shorter term which the Secretary determines is appropriate taking into consideration the amount of investment of the owner in the assisted units and such other factors as the Secretary determines to be relevant; and

<sup>1</sup> Sec. 2(e) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 8(f) of the United States Housing Act of 1937, by deleting "and" at the end of para. (4), by striking out the period at the end of para. (5) and inserting in lieu thereof "; and", and by adding a new para. (6).

<sup>2</sup> Added by Housing and Community Development Amendments of 1978, Sec. 206(d)(1), Pub. Law 95-557, 92 Stat. 2080, approved Oct. 31, 1978. The amendment made by this subsection shall become effective with respect to contracts entered into on or after 270 days following the date of enactment of the Act. *Id.*

(5) the assisted units meet cost-effective energy efficiency standards prescribed by the Secretary.

(j)<sup>1</sup> (1) The Secretary may enter into annual contributions contracts under this subsection for the purpose of assisting lower income families by making rental assistance payments with respect to real property on which is located a mobile home which is owned by any such family and utilized by such family as its principal place of residence. In carrying out this subsection, the Secretary may (A) enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property, or (B) enter into such contracts directly with the owners of such real property.

(2) Contracts entered into pursuant to this subsection shall establish the maximum monthly rent (including maintenance and management charges) which the owner is entitled to receive for each space on which a mobile home is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this subsection. The provisions of subsection (c) (2) of this section shall apply to the adjustments of maximum monthly rents under this subsection.

(3) The amount of any monthly assistance payment with respect to any family assisted under this subsection shall be the difference between 25 per centum of one-twelfth of the annual income of such family and the sum of—

(A) the monthly payment made by such family to amortize the cost of purchasing the mobile home;

(B) monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

(C) the maximum monthly rent permitted with respect to the real property which is rented by such family for the purpose of locating its mobile home;

except that in no case may such assistance exceed the total amount of such maximum monthly rent.

(4) Each contract entered into under this subsection shall be for a term of not less than one month and not more than 180 months.

(5) The Secretary may prescribe other terms and conditions which are necessary for the purpose of carrying out the provisions of this subsection and which are consistent with the purposes of this subsection.

#### ANNUAL CONTRIBUTIONS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

SEC. 9. (a) In addition to the contributions authorized to be made for the purposes specified in section 5 of this Act, the Secretary may make annual contributions to public housing agencies for the operation of low-income housing projects. The contributions payable annually under this section shall not exceed the amounts which the Secretary determines are required (1) to assure the low-income character of the

<sup>1</sup> Added by Housing and Community Development Amendments of 1978, sec. 206(f), Public Law 95-557, 92 Stat. 2080 approved Oct. 31, 1978.



projects involved, and (2) to achieve and maintain adequate operating services and reserve funds. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment subject to the availability of funds. For purposes of making payments under this section, the Secretary shall establish standards for costs of operation and reasonable projections of income, taking into account the character and location of the project and characteristics of the families served, or the costs of providing comparable services as determined in accordance with criteria or a formula representing the operations of a prototype well-managed project.

(b) The aggregate rentals required to be paid in any year by families residing in the dwelling units administered by a public housing agency receiving annual contributions under this section shall not be less than an amount equal to one-fifth of the sum of the incomes of all such families.

(c)<sup>1</sup> There are authorized to be appropriate, for the purpose of providing annual contributions pursuant to this section not to exceed \$535,000,000 on or after July 1, 1975, not to exceed \$80,000,000 on or after July 1, 1976, not to exceed \$595,600,000<sup>2</sup> on or after October 1, 1976, not to exceed \$685,000,000 on or after October 1, 1977,<sup>2</sup> and not to exceed \$729,000,000 on or after October 1, 1978.<sup>3</sup>

#### GENERAL PROVISIONS

SEC. 10. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Secretary, notwithstanding the provisions of any other law, shall—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended; and

(2) maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required.

(b) All receipts and assets of the Secretary under this Act shall be available for the purposes of this Act until expended.

(c) The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for the Secretary in the general exercise of his powers under this Act, and the Secretary may reimburse any such bank for its services in such manner as may be agreed upon.

#### FINANCING LOW-INCOME HOUSING PROJECTS

SEC. 11. (a) Obligations issued by a public housing agency in connection with low-income housing projects which (1) are secured (A)

<sup>1</sup> Sec. 2(c) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 9(c) of the United States Housing Act of 1937, to read as set forth in the text.

<sup>2</sup> Supplemental Housing Authorization Act of 1977, Public Law 95-24, approved April 30, 1977, amended Section 9(c) by deleting "\$576,000,000" and inserting in lieu thereof "\$595,600,000"; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "and" immediately following "on or after July 1, 1976," and by inserting before the period at the end thereof: ", and not to exceed \$685,000,000 on or after October 1, 1977".

<sup>3</sup> Added by Housing and Community Development Amendments of 1978, Sec. 206(g), P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.



by a pledge of a loan under any agreement between such public housing agency and the Secretary, or (B) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Secretary, or (C) by a pledge of both annual contributions under an annual contributions contract and a loan under an agreement between such public housing agency and the Secretary, and (2) bear, or are accompanied by, a certificate of the Secretary that such obligations are so secured, shall be incontestable in the hands of a bearer and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Secretary as security for such obligations.

(b) Except as provided in section 5(g), obligations, including interest thereon, issued by public housing agencies in connection with low-income housing projects shall be exempt from all taxation now or hereafter imposed by the United States whether paid by such agencies or by the Secretary. The income derived by such agencies from such projects shall be exempt from all taxation now or hereafter imposed by the United States.

#### LABOR STANDARDS

SEC. 12. Any contract for loans, annual contributions, sale, or lease pursuant to this Act shall contain a provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary, shall be paid to all architects, technical engineers, draftsmen, and technicians employed in the development, and all maintenance laborers and mechanics employed in the operation, of the low-income housing project involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved (including a project with nine or more units assisted under section 8 of this Act, where the public housing agency or the Secretary and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and the Secretary shall require certification as to compliance with the provisions of this section prior to making any payment under such contract.

(b) The provisions of subsection (a) of this section shall be effective on such date or dates as the Secretary of Housing and Urban Development shall prescribe, but not later than eighteen months after the date of the enactment of this Act; except that (1) all of the provisions of section 3(1) of the United States Housing Act of 1937, as amended by subsection (a) of this section, shall become effective on the same date, (2) all of the provisions of sections 5 and 9(c) of such Act as so amended shall become effective on the same date, and (3) section 8 of such Act as so amended shall be effective not later than January 1, 1975.

#### APPLICABILITY OF RENTAL REQUIREMENTS

SEC. 202. To the extent that section 3(1) of the United States Housing Act of 1937, as amended by section 201(a) of this Act, would require the establishment of an increased monthly rental charge for any family which occupies a low-income housing unit as of the effec-

tive date of such section 3(1) (other than by reason of the provisions relating to welfare assistance payments), the required adjustment shall be made, in accordance with regulations of the Secretary, as follows: (A) the first adjustment shall not exceed \$5 and shall become effective as of the month following the month of the first review of the family's income pursuant to section 6(c)(2) of such Act which occurs at least six months after the effective date of such section 3(1), and (B) subsequent adjustments, each of which shall not exceed \$5, shall be made at six-month intervals over whatever period is necessary to effect the full required increase in the family's rental charge.

#### EXEMPTIONS OF CERTAIN PROJECTS FROM RENTAL FORMULA

SEC. 203. The rental or income contribution provisions of the United States Housing Act of 1937, as amended by section 201 of this Act, shall not preclude the use of special schedules of required payments as approved by the Secretary for participants in mutual help housing projects who contribute labor, land, or materials to the development of such projects.

#### LEASED HOUSING

SEC. 208. Nothing in this title or any other provision of law authorizes the Secretary of Housing and Urban Development to apply any policy or procedure established by him with respect to the rights of an owner under a lease entered into under section 23 of the United States Housing Act of 1937, including the right to renewal of such lease to the maximum term permitted by law,<sup>1</sup> if such lease was entered into prior to the effective date of such policy or procedure.

#### LOW-INCOME HOUSING FOR THE ELDERLY OR HANDICAPPED

SEC. 209. The Secretary shall consult the Secretary of Health, Education, and Welfare to insure that special projects for the elderly or the handicapped authorized pursuant to United States Housing Act of 1937 shall meet acceptable standards of design and shall provide quality services and management consistent with the needs of the occupants. Such projects shall be specifically designed and equipped with such "related facilities" (as defined in section 202(d)(8) of the Housing Act of 1959) as may be necessary to accommodate the special environmental needs of the intended occupants and shall be in support of and supported by the applicable State plans for comprehensive services pursuant to section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or State and area plans pursuant to title III of the Older Americans Act of 1965.

\* \* \* \* \*

### EXCERPT FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

[Public Law 95-128, 91 Stat. 1128]

SEC. 201. \* \* \*

(g) The Secretary of Housing and Urban Development shall con-

<sup>1</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read as set forth in the text.

duct a study of payments in lieu of taxes made under section 6(d) of the United States Housing Act of 1937 and report to the Congress on the status and adequacy of such payments not later than twelve months after the date of enactment of this section.

\* \* \* \* \*

Approved Oct. 12, 1977.

#### EXCERPT FROM HOUSING AUTHORIZATION ACT OF 1976

[Public Law 94-375, 90 Stat. 1067]

##### SEC. 2. \* \* \* \*

(h) Notwithstanding any other provision of law, the value of any assistance paid with respect to a dwelling unit under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or title V of the Housing Act of 1949 may not be considered as income or a resource for the purpose of determining the eligibility of, or the amount of the benefits payable to, any person living in such unit for assistance under title XVI of the Social Security Act. This subsection shall become effective on October 1, 1976.

\* \* \* \* \*

Approved August 3, 1976.

#### EXCERPT FROM HOUSING AUTHORIZATION ACT OF 1976

[Public Law 94-375, 90 Stat. 1067]

##### SEC. 17. \* \* \* \*

(e) Notwithstanding the amendment made by subsection (a), the rights, powers, and duties of the position of President, Government National Mortgage Association, as in effect on the day preceding the date of enactment of this Act shall remain in effect until the position established hereunder has been filled in accordance with the terms of this Act.

\* \* \* \* \*

Approved August 3, 1976.

[The United States Housing Act of 1937 was the original low-rent public housing law. It was extensively amended by title II of the Housing and Community Development Act of 1974.]

#### United States Housing Act of 1937<sup>1</sup>

[Public Law 412, 75th Congress; 50 Stat. 888; 42 U.S.C. 1401 et seq.]

AN ACT To provide financial assistance to the States and political subdivisions thereof for the elimination of unsafe and unsanitary housing conditions, for

<sup>1</sup> Public Law 671, 76th Congress, approved June 28, 1940, 54 Stat. 681, 42 U.S.C. 1501, authorized housing projects developed under the United States Housing Act of 1937 to be used for national defense and war housing. These projects have been converted to low-rent public housing use.

Included in the low-rent public housing program are 21,600 units of housing built by the Public Works Administration prior to enactment of the United States Housing Act of 1937 as experimental projects under the National Industrial Recovery Act, Public Law 67, 73d Congress, 48 Stat. 195, 40 U.S.C. 401.

A number of Lanham Act war housing projects were authorized to be conveyed to local housing authorities by sec. 606 of that Act, as amended, 42 U.S.C. 1586.



the eradication of slums, for the provision of decent, safe, and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity, to create a United States Housing Authority, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### DECLARATION OF POLICY

SECTION 1. It is hereby declared to be the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to alleviate present and recurring unemployment and to remedy the unsafe and insanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income, in urban, rural nonfarm and Indian<sup>1</sup> areas, that are injurious to the health, safety, and morals of the citizens of the Nation. In<sup>2</sup> the development of low-rent housing it shall be the policy of the United States to make adequate provisions for larger families and for families consisting of elderly persons. It is the policy of the United States to vest in the local public housing agencies the maximum amount of responsibility in the administration of the low-rent housing program, including responsibility for the establishment of rents and eligibility requirements (subject to the approval of the Authority), with due consideration to accomplishing the objectives of this Act while effecting economies. It<sup>3</sup> is the sense of the Congress that no person should be barred from serving on the board of directors or similar governing body of a local public housing agency because of his tenancy in a low-rent housing project.

#### DEFINITIONS

SEC. 2. When used in this Act—

(1)<sup>4</sup> The term "low-rent housing" means decent, safe, and sanitary dwellings within the financial reach of families of low income, and developed and administered to promote serviceability, efficiency, economy, and stability, and embraces all necessary appurtenances

<sup>1</sup> Sec. 206(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 504, added "and Indian".

<sup>2</sup> Sec. 501, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 679, added these two sentences.

<sup>3</sup> Sec. 211, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1779, added this sentence.

<sup>4</sup> Immediately prior to amendment by sec. 603(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 604, 680, this paragraph read as follows:

"(1) The term 'low-rent housing' means decent, safe, and sanitary dwellings within the financial reach of families of low income, and developed and administered to promote serviceability, efficiency, economy, and stability, and embraces all necessary appurtenances thereto. The dwellings in low-rent housing as defined in this Act shall be available solely for families whose net annual income at the time of admission, less an exemption of (a) \$100 for each adult dependent member of the family having no income and for each minor (other than the head of the family and his spouse), and (b) not to exceed \$600 of the income of each member of the family other than the principal wage earner, does not exceed five times the annual rental (including the value or cost to them of water, electricity, gas, other heating and cooking fuels, and other utilities) of the dwellings to be furnished such families. For the sole purpose of determining eligibility for continued occupancy, a public housing agency may allow, from the net annual income of any family, an exemption (a) for each minor member of the family (other than the head of the family and his spouse) of either \$100 or all or any part of the income of such minor, and (b) of \$100 for each adult dependent member of the family having no income, and (c) not to exceed \$600 of the income of any other member of the family other than the principal wage earner. For the purposes of this subsection, a minor shall mean a person less than 21 years of age."

thereto. The dwellings in low-rent housing shall be available solely for families of low income.

Except<sup>1</sup> as otherwise provided in section 23, income limits for occupancy and rents (which<sup>2</sup> may not exceed one-fourth of the family's income, as defined by the Secretary) shall be fixed by the public housing agency and approved by the Authority after taking into consideration (A) the family size, composition, age, physical handicaps and other factors which might affect the rent-paying ability of the family, and (B) the economic factors which affect the financial stability and solvency of the project. In<sup>3</sup> defining income for purposes of applying the one-fourth of family income limitation set forth above, the Secretary shall consider income from all sources of each member of the family residing in the household who is at least eighteen years of age; except that (A) nonrecurring income, as determined by the Secretary, and the income of full-time students shall be excluded; (B) an amount equal to the sum of (i) \$300 for each dependent, (ii) \$300 for each secondary wage earner, (iii) 5 per centum of the family's gross income (10 per centum in the case of elderly families), and (iv) those medical expenses of the family properly considered extraordinary shall be deducted; and (C) the Secretary may allow further deductions in recognition of unusual circumstances.

Notwithstanding any other provision of Federal law or regulations thereunder, a public agency shall not reduce welfare assistance payments to any tenant or group of tenants in low-rent housing as a result of any reduction in rent resulting from the application of the rent limitation set forth in this paragraph (1) and required by such limitation.<sup>4</sup>

(2)<sup>5</sup> The term "families of low income" means families (including

<sup>1</sup> Sec. 103(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 457, inserted "Except as otherwise provided in section 23," at the beginning of this sentence.

<sup>2</sup> The provision that rents may not exceed one-fourth of the family's income, as defined by the Secretary, inserted by sec. 213(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 389.

Sec. 213(b) of the Housing and Urban Development Act of 1969, reads as follows: "(b) The requirement in section 2(1) of the United States Housing Act of 1937 that the rents fixed by public housing agencies may not exceed one-fourth of a low-rent housing tenant's income shall be effective not later than ninety days following the date of the enactment of this Act. The requirement shall not apply in any case in which the Secretary of Housing and Urban Development determines that limiting the rent of any tenant or class of tenants, as provided by such section 2(1), will result in a reduction in the amount of welfare assistance which would otherwise be provided to such tenant or class of tenants by a public agency."

<sup>3</sup> This sentence providing a statutory definition of income for the purpose of establishing maximum rentals at one-fourth of tenant income added by sec. 208(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1778.

Sec. 208(b), Housing and Urban Development Act of 1970, reads as follows: "(b) The income definition contained in the last sentence of the second paragraph of section 2(1) of the Housing Act of 1937, as added by subsection (a) of this section, shall be effective at the first annual reexamination of the tenant's income subsequent to March 24, 1971."

<sup>4</sup> This sentence added by sec. 9. of Public Law 92-213, approved December 22, 1971. 85 Stat. 775, 776.

<sup>5</sup> Immediately prior to amendment by sec. 104, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 457, this paragraph read as follows:

"(2) The term 'families of low income' means families (including elderly and displaced families) who are in the lowest income group and who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use. The term 'families' includes families consisting of a single person in the case of elderly families and displaced families, and includes a single person who is handicapped within the meaning of section 202 of the Housing Act of 1939 or who is the remaining member of a tenant family. The term 'elderly families' means whose heads (or their spouses), or whose sole members, have attained the age at which an individual may elect to receive an old age benefit under title II of the Social Security Act, or who are under a disability as defined in sec. 223 of that Act. The term 'displaced families' means families displaced by urban renewal or other governmental action."



elderly and displaced families) who are in the lowest income group and who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use. The term "families" includes families consisting of a single person in the case of elderly families and displaced families, and includes the remaining member of a tenant family. The term "elderly families" means families whose heads (or their spouses), or whose sole members, have attained the age at which an individual may elect to receive an old-age benefit under title II of the Social Security Act, or are under a disability as defined in section 223 of that Act, or are handicapped within the meaning of section 202 of the Housing Act of 1959. The term "displaced families" means families displaced by urban renewal or other governmental action, or families whose present or former dwellings are situated in areas determined by the Small Business Administration, subsequent to April 1, 1965, to have been affected by a natural disaster, and which have been extensively damaged or destroyed as the result of such disaster. The term "large families" means families which include four or more minors. The term "families of unusually low income" means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10(a).

(3) The term "slum" means any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

(4) The term "slum clearance" means the demolition and removal of buildings from any slum area.

(5) The term "development" means any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, in connection with a low-rent housing project. The term "development cost" shall comprise the costs incurred by a public housing agency in such undertakings and their necessary financing (including the payment of carrying charges, but not beyond the point of physical completion), and in otherwise carrying out the development of such project. Construction<sup>2</sup> activity in connection with a low-rent housing project may be confined to the reconstruction, remodeling, or repair of existing buildings. In cases where the public housing agency is also the local public agency for the purposes of title I of the Housing Act of 1949,<sup>3</sup> or<sup>4</sup> in cases where the public housing agency and the local public agency for purposes of such title I operate under a combined central administrative office staff, an administration building included in a low-rent housing project to provide central administrative office facilities may also include sufficient facilities for the ad-

<sup>1</sup> Sec. 209, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 545, added this sentence.

<sup>2</sup> This sentence added by sec. 307, Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 301.

<sup>3</sup> Title I of the Housing Act of 1949, as amended, authorizes the urban renewal program.

<sup>4</sup> Sec. 502(1), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 680, inserted "or in cases where the public housing agency and the local public agency for purposes of such title I operate under a combined central administrative office staff".



ministration of the<sup>1</sup> functions of such local public agency, and in such case, the Authority shall require that an economic rent shall be charged for the facilities in such building which are used for the administration of the<sup>1</sup> functions of such local public agency, and shall be paid from funds derived from sources other than the low-rent housing projects of such public housing agency.

(6) The term "administration" means any or all undertakings necessary for management, operation, maintenance, or financing in connection with a low-rent housing or slum-clearance project, subsequent to physical completion. The term also means the financing of tenant programs and services for families residing in low-rent housing projects, particularly where there is maximum feasible participation of the tenants in the development and operation of such tenant programs and services. As used in this paragraph, the term "tenant programs and services" includes the development and maintenance of tenant organizations which participate in the management of low-rent housing projects; the training of tenants to manage and operate such projects and the utilization of their services in project management and operation; counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services.<sup>2</sup> To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

(7) The term "Federal project" means any project owned or administered by the Authority.

(8) The term "acquisition cost" means the amount prudently required to be expended by a public housing agency in acquiring a low-rent housing or slum-clearance project.

(9) The term "non-dwelling facilities" shall include site development improvements and facilities located outside building walls (including streets, sidewalks, and sanitary, utility, and other facilities).

(10) The term "going Federal rate" means the annual rate of interest (or, if there shall be two or more such rates of interest, the highest thereof) specified in the most recently issued bonds of the Federal Government having a maturity of ten years or more, determined, in the case of loans or annual contributions, respectively, at the date of Presidential approval of the contract pursuant to which such loans or contributions are made: *Provided*,<sup>3</sup> That, with respect to any loans or annual contributions made pursuant to a contract approved by

<sup>1</sup> Sec. 592(2), Housing Act of 1959. Public Law 86-372, approved September 23, 1959, 72 Stat. 654, 650, substituted "the functions of" for "its functions as".

<sup>2</sup> Sec. 903(c), Housing and Urban Development Act of 1970. Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1808, added the last three sentences of paragraph (6).

<sup>3</sup> This proviso was added by sec. 24(c), Housing Amendments of 1953, Public Law 94. 83d Congress, approved June 30, 1953, 67 Stat. 121, 128.

the President after the first annual rate has been specified as provided in this proviso, the term "going Federal rate" means the annual rate of interest which the Secretary of the Treasury shall specify as applicable to the six-month period (beginning with the six-month period ending December 31, 1953) during which the contract is approved by the President, which applicable rate for each six-month period shall be determined by the Secretary of the Treasury by estimating the average yield to maturity, on the basis of daily closing market bid quotations or prices during the month of May or the month of November, as the case may be, next preceding such six-month period, on all outstanding marketable obligations of the United States having a maturity date of fifteen or more years from the first day of such month of May or November, and by adjusting such estimated average annual yield to the nearest one-eighth of one per centum: *And provided further*, That for the purposes of this Act, the going Federal rate shall be deemed to be not less than  $2\frac{1}{2}$  per centum.

(11) The term "public housing agency" means any State, county, municipality, or other governmental entity or public body (excluding the Authority), which is authorized to engage in the development or administration of low-rent housing or slum clearance. The Authority shall enter into contracts for financial assistance with a State or State agency where such State or State agency makes application for such assistance for an eligible project which, under the applicable laws of the State, is to be developed and administered by such State or State agency.

(12)<sup>1</sup> The term "State" includes the States of the Union, the District of Columbia, the Commonwealth of Puerto Rico, the Trust Territory of the Pacific Islands, and the territories and possessions of the United States.

(13) The term "Authority" means the United States Housing Authority created by section 3 of this Act.

(14)<sup>2</sup> The term "initiated" when used in reference to the date on which a project was initiated refers to the date of the first contract for financial assistance in respect to such project entered into by the Authority and the public housing agency.

<sup>1</sup> Sec. 403(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 395, amended the term "State" to include the Trust Territory of the Pacific Islands.

<sup>2</sup> Sec. 202, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, deleted the following par. (14) and renumbered this paragraph (formerly numbered (15)) to be par. (14):

"(14) The term 'veteran' shall mean a person who has served in the active military or naval service of the United States at any time (i) on or after September 16, 1940, and prior to July 26, 1947, (ii) on or after April 6, 1917, and prior to November 11, 1918, (iii) on or after June 27, 1950, and prior to such date thereafter as shall be determined by the President, and who shall have been discharged or released therefrom under conditions other than dishonorable. The term 'serviceman' shall mean a person in the active military or naval service of the United States who has served therein at any time (i) on or after September 16, 1940, and prior to July 26, 1947, (ii) on or after April 6, 1917, and prior to November 11, 1918, or (iii) on or after June 27, 1950, and prior to such date thereafter as shall be determined by the President."



## UNITED STATES HOUSING AUTHORITY

SEC. 3. There is hereby created in the Department of Housing and Urban Development<sup>1</sup> the United States Housing Authority,<sup>2</sup> which shall be an agency and instrumentality of the United States. The functions, powers, and duties of the Authority are vested in and shall be exercised by the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary"). No officer or employee of the Department of Housing and Urban Development, in the performance of any such functions, powers, or duties, shall participate in any matter affecting his personal interest or the interest of any corporation, partnership, or association in which he is directly or indirectly interested.

SEC. 4(a). The Secretary may accept and utilize such voluntary and uncompensated services and with the consent of the agency concerned may utilize such officers, employees, equipment, and information of any agency of the Federal, State, or local governments as he finds helpful in the performance of the duties of the Authority. In connection with the utilization of such services, the Authority may make reasonable payments for necessary traveling and other expenses.<sup>3</sup>

(b) The President may at any time in his discretion transfer to the Authority any right, interest, or title held by any department or agency of the Federal Government in any housing or slum-clearance projects (constructed or in process of construction on the date of enactment of this Act), any assets, contracts, records, libraries, research materials, and other property held in connection with any such

<sup>1</sup> Sec. 1719, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 610, deleted "a body corporate of perpetual duration to be known as", and terminated the corporate status of the United States Housing Authority.

<sup>2</sup> When originally created in 1937, the United States Housing Authority was in the Department of Interior. Reorganization Plan No. 1, effective July 1, 1939, 53 Stat. 1423, transferred the United States Housing Authority from the Department of Interior to the Federal Works Agency. Executive Order 9070 effective February 24, 1942, 7 Fed. Reg. 1529, transferred the housing functions of the Federal Works Agency to the National Housing Agency and provided that the functions of the United States Housing Authority should be administered as the Federal Public Housing Authority, one of the constituent units of the National Housing Agency. Reorganization Plan No. 3 of 1947 provided that the United States Housing Authority should be administered and known as the Public Housing Administration, one of the constituent agencies of the Housing and Home Finance Agency, and that the functions of the Administrator of the United States Housing Authority were transferred to the Public Housing Commissioner. The functions of the Public Housing Administration and its offices were transferred to the Secretary of the Department of Housing and Urban Development by sec. 5(a) of the Department of Housing and Urban Development Act, Public Law 89-174, approved September 9, 1965, 79 Stat. 667, 669.

<sup>3</sup> Sec. 502(c) of Public Law 901, 80th Congress, approved August 10, 1948, 62 Stat. 1268, 1283, provided that the Public Housing Commissioner may:

"(1) with the consent of the agency or organization concerned, accept and utilize equipment, facilities, or the services of employees of any State or local public agency or instrumentality, educational institution, or nonprofit agency or organization and, in connection with the utilization of such services, may make payments for transportation while away from their homes or regular places of business and per diem in lieu of subsistence enroute and at place of such service, in accordance with the provisions of 5 U.S.C. 73b-2;

"(2) utilize, contract with, and act through, without regard to section 3709 of the Revised Statutes, any Federal, State, or local public agency or instrumentality, educational institution, or non-profit agency or organization with the consent of the agency or organization concerned, and any funds available to said officers for carrying out their respective functions, powers, and duties shall be available to reimburse any such agency or organization; and, whenever in the judgment of any such officer necessary, he may make advance progress, or other payments with respect to such contracts without regard to the provisions of section 3648 of the Revised Statutes :".



housing or slum-clearance projects or activities, any unexpended balance of funds allocated to such department or agency for the development, administration or assistance of any housing or slum-clearance projects or activities, and any employees who have been engaged in work connected with housing or slum clearance. The Authority may continue any or all activities undertaken in connection with projects so transferred, subject to the provisions of this Act.

SEC. 5. (a) The principal office of the Authority shall be in the District of Columbia, but it may establish branch offices or agencies in any State, and may exercise any of its powers at any place within the United States. The authority may, by one or more of its officers or employees or by such agents or agencies as it may designate, conduct hearings or negotiations at any place.

(b) The Authority may sue and be sued in its own name, and shall be represented in all litigated matters by the Attorney General or such attorney or attorneys as he may designate.<sup>1</sup>

(c) The Authority shall be granted the free use of the mails in the same manner as the executive departments of the Government.

(d) The Authority, including but not limited to its franchise, capital, reserves, surplus, loans, incomes, assets, and property of any kind, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, county, municipality, or local taxing authority. Obligations, including interest thereon, issued by public housing agencies in connection with low-rent-housing or slum-clearance projects, and the income derived by such agencies from such projects, shall be exempt from all taxation now or hereafter imposed by the United States.

SEC. 6. (a) The Authority may make such expenditures, subject to audit under the general law, for the acquisition and maintenance of adequate administrative agencies, offices, vehicles, furnishings, equipment, supplies, books, periodicals, printing and binding, for attendance at meetings, for any necessary traveling expenses within the United States, its Territories, dependencies, or possessions, and for such other expenses as may from time to time be found necessary for the proper administration of this Act. Such financial transactions of the Authority as the making of loans, annual contributions, and capital grants, and the acquisition, sale, exchange, lease, or other disposition of real and personal property, and vouchers approved by the Secretary in connection with such financial transactions, shall be final and conclusive upon all officers of the Government; except that all such financial transactions of the Authority shall be audited by the General Accounting Office at such times and in such manner as the Comptroller General of the United States may by regulation prescribe.

(b) Repealed.<sup>2</sup>

(c) The use of funds made available for the purposes of this Act shall be subject to the provisions of section 2 of title 3 of the Treasury and Post Office Appropriation Act for the fiscal year 1934 (47 Stat.

<sup>1</sup> Sec. 502(b) of Public Law 901, 80th Congress, approved August 10, 1948, 62 Stat. 1268, 1283, provided that the Public Housing Administration shall sue and be sued only with respect to its functions under the United States Housing Act of 1937, as amended, and title II of Public Law 671, Seventy-sixth Congress, approved June 28, 1940, as amended.

<sup>2</sup> Sec. 6(b) repealed by sec. 1 of Public Law 247, 82d Congress, approved October 31, 1951, 65 Stat. 701. Sec. 6(b) provided that the provisions of sec. 3709 of the Revised Statutes (41 U.S.C. 5) shall apply to all contracts of the Authority for services and to all of its purchases of supplies except when the aggregate amount involved is less than \$300. Sec. 6(b) was made unnecessary by subsequent amendments of sec. 3709 of the Revised Statutes.

1489), and to make such provisions effective every contract or agreement of any kind pursuant to this Act shall contain a provision identical to the one prescribed in section 3 of title 3 of such Act.

(d) No annual contribution, grant, or loan, and no contract for any annual contribution, grant, or loan, under this Act, shall be undertaken by the Authority except with the approval of the President.<sup>1</sup>

(e) With respect to all projects under title II of Public Law 671, Seventy-sixth Congress, approved June 28, 1940, references therein to the United States Housing Act of 1937, as amended, shall include all amendments to said Act made by the Housing Act of 1949 or by any other law thereafter enacted.

SEC. 7. (a) The Authority may publish and disseminate information pertinent to the various aspects of housing.

(b)<sup>2</sup> The annual report of the Secretary to the President for submission to the Congress on the operations of the Department of Housing and Urban Development shall include a report on the operations and expenses of the Authority, including loans, contributions, and grants made or contracted for, low-rent housing and slum-clearance projects undertaken, and the assets and liabilities of the Authority. Such report shall include operating statements of all projects under the jurisdiction of or receiving the assistance of the Authority, including summaries of the incomes of occupants, sizes of families, rentals, and other related information.

SEC. 8. The Authority may from time to time make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this Act.

#### LOANS FOR LOW-RENT HOUSING AND SLUM-CLEARANCE PROJECTS

SEC. 9. The Authority may make loans to public housing agencies<sup>3</sup> to assist the development, acquisition, or administration of low-rent housing or slum-clearance projects by such agencies. Where capital grants are made pursuant to section 11 the total amount of such loans outstanding on any one project and in which the Authority participates shall not exceed the development or acquisition cost of such project less all such capital grants, but in no event shall said loans exceed 90 per centum of such cost.<sup>4</sup> Such loans shall bear interest at such rate not less than the applicable going Federal rate, plus one-half of one per centum, shall be secured in such manner, and shall be repaid within such period not exceeding sixty years, as may be deemed advisable by the Authority: *Provided*, That in the case of projects initiated after March 1, 1949, with respect to which annual contributions are contracted for pursuant to this Act, loans shall not be made

<sup>1</sup> See also Executive Order 11196, issued February 2, 1965, 30 Fed. Reg. 1171, empowering the Housing and Home Finance Administrator to approve the undertakings without the approval, ratification, or other action of the President.

<sup>2</sup> This sentence amended to read as set forth in the text by sec. 802(d) of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 643.

<sup>3</sup> The First Independent Offices Appropriation Act, 1954, Public Law 176, 83d Congress, approved July 31, 1953, 67 Stat. 298, 315, provides that during fiscal 1954 the PHA Commissioner shall make every effort to refund all local bonds held by the Public Housing Administration. The Independent Offices Appropriation Act, 1955, Public Law 428, 83d Congress, approved June 24, 1954, 68 Stat. 273, 297 provided that "during the fiscal year 1955 the Commissioner shall continue to make every effort to refund all local bonds held by the Public Housing Administration".

<sup>4</sup> Sec. 211, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 388, deleted at this point the sentence which read: "In the case of annual contributions in assistance of low rentals as provided in section 10 the total of such loans outstanding on any one project and in which the Authority participates shall not exceed 90 per centum of the development or acquisition cost of such project."



for a period exceeding forty years from the date of the bonds evidencing the loan: *And provided further*, That, in the case of such projects or any other projects with respect to which the contracts (including contracts which amend or supersede contracts previously made) provide for loans for a period not exceeding forty years from the date of the bonds evidencing the loan and for annual contributions for a period not exceeding forty years from the date the first annual contribution for the project is paid, such loans shall bear interest at a rate not less than the applicable going Federal rate.

#### ANNUAL CONTRIBUTIONS IN ASSISTANCE OF LOW RENTALS

SEC. 10. (a) The Authority may make annual contributions to public housing agencies to assist in achieving and maintaining the low-rent character of their housing projects. The annual contributions for any such project shall be fixed in uniform amounts, and shall be paid in such amounts over a fixed period of years. The Authority shall embody the provisions for such annual contributions in a contract guaranteeing their payment over such fixed period: *Provided*, That the Authority may, in addition to the payments guaranteed under the contract, pay not to exceed \$120<sup>1</sup> per annum per dwelling unit occupied by an elderly family, or a large family, or a family of unusually low income, or a displaced family if such family was displaced by an urban renewal or low-rent housing project on or after January 27, 1964, on the last day of the project fiscal year where such amount, in the determination of the Authority, was necessary to enable the public housing agency to operate the project on a solvent basis: *Provided further*,<sup>2</sup> That the Authority is authorized to amend or supersede annual contributions contracts to provide payments annually (within the limitations prescribed by this Act) which the Authority determines are required (1) to assure the low-rent character of the projects involved, and (2) to achieve and maintain adequate operating and maintenance services and reserve funds including payment of outstanding debts. The Authority shall not make any contract for loans (other than preliminary loans) or for annual contributions or for capital grants pursuant to this Act with respect to any low-rent housing project initiated after March 1, 1949, unless the governing body of the locality involved has entered into an agreement with the public housing agency providing that, subsequent to the initiation of the low-rent housing project and within five years after the completion thereof, there has been or will be elimination, as<sup>3</sup> certified by the local governing body, by demolition, condemnation, effective closing, or compulsory repair or improvement, of unsafe or insanitary dwelling units situated in the locality or metropolitan area substantially equal in number to the number of newly constructed dwelling units provided by such project: *Provided, however*, That where more than one family is living in an unsafe or insanitary dwelling unit the elimination of such unit shall count as the elimination of units equal to the number of families accommodated therein:

<sup>1</sup> Sec. 203, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, provided this additional subsidy for units occupied by elderly families. Sec. 402, Housing Act of 1964, approved Sept. 2, 1964, 78 Stat. 769, 794, made units occupied by displaced families eligible for the additional subsidy. Sec. 209, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 505, made the subsidy available for units occupied by large families, or families of unusually low income.

<sup>2</sup> Sec. 210, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1778, inserted this second proviso.

<sup>3</sup> Sec. 501, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 486, inserted "as certified by the local governing body,".



*Provided further*, That such elimination may, in the discretion of the Authority be deferred in any locality or metropolitan area where there is an acute shortage of decent, safe, or sanitary housing available to families of low income: *And provided further*, That this requirement shall not apply in the case of any low-rent housing project located in a rural nonfarm or Indian area, or to any low-rent housing project developed on the site of a slum cleared subsequent to the date of enactment of the Housing Act of 1949 and that the dwelling units which had been eliminated by the clearance of the site of such project shall not be counted as elimination for any other low-rent project.

(b) Annual contributions shall be strictly limited to the amounts and periods necessary, in the determination of the Authority, to assure the low-rent character of the housing projects involved. Toward this end the Authority may prescribe regulations fixing the maximum contributions available under different circumstances, giving consideration of cost, location, size, rent-paying ability of prospective tenants, or other factors bearing upon the amounts and periods of assistance needed to achieve and maintain low rentals. Such regulations may provide for rates of contribution based upon development, acquisition or administration cost, number of dwelling units, number of persons housed, or other appropriate factors.<sup>1</sup>

(c) Every contract for annual contributions shall provide that whenever in any year the receipts of a public housing agency in connection with a low-rent housing project exceed its expenditures (including debt service, administration, maintenance, establishment of reserves, and other costs and charges), an amount equal to such excess shall be applied, or set aside for application, to purposes which, in the determination of the Authority, will effect a reduction in the amount of subsequent annual contributions. In no case shall any contract for annual contributions be made for a period exceeding sixty years: *Provided*, That in the case of projects initiated after March 1, 1949, contracts for annual contributions shall not be made for a period exceeding forty years from the date the first annual contribution for the project is paid.<sup>2</sup> *And provided further*,<sup>3</sup> That the amount of the fixed annual contribution which would be established under this Act for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established, as a maximum annual contribution in lieu of any other guaranteed contribution authorized under this section, for a project by such public housing agency which would provide housing for the comparable number, sizes, and kinds of families through the acquisition, acquisition and rehabilitation, or use under lease of<sup>4</sup> structures which are suitable for low-rent housing use and obtainable in the local market.

<sup>1</sup> Sec. 3(2) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906, deleted a proviso which limited fixed contributions payable to the applicable Federal going rate plus 1 per centum.

<sup>2</sup> Sec. 3(3) of Public Law 92-503, approved October 18, 1972, 86 Stat. 906, deleted a proviso which allowed, where annual contributions were to be made for a period not exceeding 40 years, fixed contributions in excess (by 1 per centum of development or acquisition cost) of those allowable under the proviso deleted from sec. 10(b). See note 1, *supra*.

<sup>3</sup> The proviso added by sec. 502, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 487.

<sup>4</sup> The word "existing" deleted at this point by sec. 204(a) (2), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1777.

(d) All payments<sup>1</sup> of annual contributions pursuant to this section shall be made out of any funds available to the Authority when such payments are due, except that its capital and its funds obtained through the issuance of obligations pursuant to section 20 (including repayments or other realizations of the principal of loans made out of such capital and funds) shall not be available for the payment of such annual contributions.

(e)<sup>2</sup> The Authority is authorized to enter into contracts for annual contributions aggregating not more than \$554,250,000 per annum, which limit shall be increased by \$100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of \$225,000,000 on July 1, 1969, \$320,000,000 on July 1, 1970, \$225,000,000 on July 1, 1971, \$150,000,000 on July 1, 1972, and \$140,000,000 on July 1, 1973, but any such contracts for additional units for any one State shall not, after the date of enactment of the Housing Act of 1961, be entered into for more than 15 per centum of the aggregate amount not already guaranteed under contracts for annual contri-

<sup>1</sup> The First Independent Offices Appropriation Act, 1954, Public Law 176, 83d Congress approved July 31, 1953, 67 Stat. 293, 306, provided that all expenditures of the appropriation in that Act for annual contributions should be subject to audit and final settlement by the Comptroller General under the provisions of the Budget and Accounting Act of 1921, as amended.

See sec. 10(k) of the United States Housing Act of 1937, as amended.

<sup>2</sup> As originally enacted by the United States Housing Act of 1937, Public Law 412, 75th Congress, approved September 1, 1937, 50 Stat. 888, 892, contracts were authorized for annual contributions aggregating not more than \$5,000,000 per annum on and after September 1, 1937, \$7,500,000 on or after July 1, 1938, and \$7,500,000 on or after July 1, 1939.

The United States Housing Act Amendments of 1938, Public Law 122, 75th Congress, approved June 21, 1938, 52 Stat. 820, authorized contracts for annual contributions aggregating not more than \$28,000,000 on and after June 21, 1938.

The Housing Act of 1949, Public Law 171, 81st Congress, approved July 15, 1949, 63 Stat. 413, 427, authorized additional contracts on and after July 1, 1949, totaling \$308,000,000 over a six-year period for 810,000 units. This Act further provided that, subject to the foregoing ceiling, such limit could be increased at any time or times by additional amounts aggregating not more than \$55,000,000 upon a determination by the President, after receiving advice from the Council of Economic Advisers as to the general effect of such increase upon conditions in the building industry and upon the national economy, that such action is in the public interest.

In a letter dated July 18, 1950, President Truman requested the Housing and Home Finance Agency to reduce the construction of low-rent public housing units to 30,000 for the first 6 months of the fiscal year 1951 due to the Korean emergency.

The Independent Offices Appropriation Act, 1952, Public Law 137, 82d Congress, 65 Stat. 268, limited the low-rent public housing program to construction starts for 50,000 dwelling units during the fiscal year 1952.

The Independent Offices Appropriation Act, 1953, Public Law 455, 82d Congress, 66 Stat. 393, 403, limited the public housing program to construction starts for 35,000 dwelling units during the fiscal year 1953, and also prohibited the PHA from entering into future contracts exceeding 35,000 dwelling units during any one fiscal year subsequent to fiscal year 1953 unless a greater amount of units was hereafter authorized by the Congress.

The Independent Offices Appropriation Act, 1954, Public Law 176, 83d Congress, 67 Stat. 298, 307, limited construction starts to 20,000 units and prohibited any future construction contracts unless authorized by Congress.

The Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 630, 631, authorized new contracts for 35,000 additional units, during the fiscal year 1955, with no limitation on construction starts.

The Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 638, authorized new contracts for 45,000 additional units, with no limitation on construction starts.

The Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1103, authorized new contracts for 35,000 additional units in each of the fiscal years 1957 and 1958, with no limitation on construction starts. This Act also provided that any balance of the authorization of 45,000 units in the Housing Amendments of 1955, not utilized by July 31, 1956, could be made available.

No further authorization was made for fiscal year 1959.

The Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 680, authorized new contracts for 37,000 additional units, with no limitation on construction starts.

No further authorizations were provided for fiscal year 1961.

The Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, made available the remaining balance of the \$336 million annual contribution authorization

(Continued)



butions on such date: *Provided*,<sup>1</sup> That subject to any contractual obligation outstanding on the date of the enactment of the Housing and Urban Development Act of 1965, any units not under construction within five years from the date they were reserved to a public housing agency may be reserved, allocated, or placed under contract for annual contributions in any State without limitation as to the aggregate amount of units which may be placed under contract for annual contributions in any one State: *Provided further*, That<sup>2</sup> at least 30 per centum of the total amount of contracts for annual contributions entered into in any fiscal year pursuant to the new authority granted under section 202 of the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units of low-rent housing in private accommodations provided under section 23: *And provided further*, That<sup>3</sup> the Authority shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into. Without further authorization from Congress, no new contracts for annual contributions beyond those herein authorized shall be entered into by the Authority. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there is hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments.

(f) Payments under annual contributions contracts shall be pledged, if the Authority so requires, as security for any loans obtained by a public housing agency to assist the development or acquisition of the housing project to which the annual contributions relate.

(g)<sup>4</sup> Every contract for annual contributions for any low-rent housing project shall provide that—

(Continued)

In the Housing Act of 1949 (\$28 million from the former authorization, plus the additional \$308 million in the 1949 Act), covering approximately 100,000 units.

The Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 795, increased the annual contribution authorization from \$336,000,000 to \$366,250,000, and authorized contracts for approximately 37,500 additional units, with no limitation on construction starts.

The Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 487, increased the annual contribution authorization by \$188 million covering 4 years, in increments of \$47 million for each of the fiscal years 1966 through 1969 respectively. This increase provides an estimated 60,000 additional low-rent housing units annually over the 4-year period.

The Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 503, increased the authorization for annual contributions by \$100 million Aug. 1, 1968, and by an additional \$150 million on July 1 in each of the years 1969 and 1970. The Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 389, increased the authorization for annual contributions from an additional \$150 million to \$225 million on July 1, 1969, and from an additional \$150 million to \$170 million on July 1, 1970. The Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1776, further increased the authorization for annual contribution contracts from an additional \$170 million to \$320 million on July 1, 1970, and by \$225 million on July 1, 1971. Sec. 3 of Public Law 92-503, approved October 18, 1972, 86 Stat. 906, increased the authorization by \$150 million on July 1, 1972; sec. 2 of Public Law 93-117 approved October 2, 1973 increased the authorization by \$140 million on July 1, 1973.

<sup>1</sup> Sec. 504, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 457, 487, inserted this proviso.

<sup>2</sup> Sec. 203, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1777, inserted this proviso.

<sup>3</sup> Sec. 217(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 390, deleted the workable program requirement for low-rent public housing in the first part of this proviso.

<sup>4</sup> Sec. 205, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 164, amended this subsection to place greater responsibility in the local housing authorities for admission policies, and sec. 401(b), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 794, further amended this subsection to substitute "displaced families" for "those displaced by urban renewal or other governmental action" in par. (2) and to add the proviso at the end of par. (2). With the

(Continued)



(1) the maximum income limits fixed by the public housing agency shall be subject to the prior approval of the Authority and the Authority may require the agency to review and revise such limits if the Authority determines that changed conditions in the locality make such revisions necessary in achieving the purposes of the Act;

(2) the public housing agency shall adopt and promulgate regulations establishing admission policies which shall give full consideration to its responsibility for the rehousing of displaced families, to the applicant's status as a serviceman or veteran or relationship to a serviceman or veteran or to a disabled serviceman or veteran, and to the applicant's age or disability, housing conditions, urgency of housing need, and source of income: *Provided*, That in establishing such admission policies the public housing agency shall accord to families of low income such priority over single persons as it determines to be necessary to avoid undue hardship;

(3) the public housing agency shall determine, and so certify to the Authority, that each family in the project was admitted in accordance with duly adopted regulations and approved income limits; and the public housing agency shall make periodic reexaminations of the incomes of families living in the project and shall require any family whose income has increased beyond the approved maximum income limits for continued occupancy to move from the project unless the public housing agency determines that, due to special circumstances, the family is unable to find decent, safe and sanitary housing within its financial reach although making every reasonable effort to do so, in which event such family may be permitted to remain for the duration of such a situation if it pays an increased rent consistent with such family's increased income; and

(4)<sup>1</sup> the public housing agency shall promptly notify (i) any applicant determined to be ineligible for admission to the project of the basis for such determination and provide the applicant upon request, within a reasonable time after the determination is made, with an opportunity for an informal hearing on such

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exception of the foregoing amendments by the Housing Act of 1964, sec. 205 of the Housing Act of 1961 amended this subsection to read as set forth in the text.

Immediately prior to amendment sec. 10(g) read as follows:

"(g) Every contract made pursuant to this Act for annual contributions for any low-rent housing project shall require that the public housing agency, as among low-income families which are eligible applicants for occupancy in dwellings of given sizes and at specified rents, shall extend the following preferences in the selection of tenants:

"First, to families which are to be displaced by any low-rent housing project or by any public slum-clearance, redevelopment or urban renewal project, or through action of a public body or court, either through the enforcement of housing standards or through the demolition, closing, or improvement of dwelling units, or which were so displaced within three years prior to making application to such public housing agency for admission to any low-rent housing: *Provided*, That as among such projects or actions the public housing agency may from time to time extend a prior preference or preferences; *And provided further*, That, as among families within any such preference group, first preference shall be given to families of disabled veterans whose disability has been determined by the Veterans' Administration to be service-connected, and second preference shall be given to families of deceased veterans and servicemen whose death has been determined by the Veterans' Administration to be service-connected, and third preference shall be given to families of other veterans and servicemen;

"Second, to families of other veterans and servicemen and as among such families first preference shall be given to families of disabled veterans whose disability has been determined by the Veterans' Administration to be service-connected, and second preference shall be given to families of deceased veterans and servicemen whose death has been determined by the Veterans' Administration to be service-connected."

<sup>1</sup> Paragraph (4) was added by sec. 214, Housing and Urban Development Act of 1969, Public Law 91-552, approved December 24, 1969, 83 Stat. 379, 389.

determination, and (ii) any applicant determined to be eligible for admission to the project of the approximate date of occupancy insofar as such date can be reasonably determined.

(h)<sup>1</sup> Every contract made pursuant to this Act for annual contributions for any low-rent housing project initiated after March 1, 1949, shall provide that no annual contributions by the Authority shall be made available for such project unless such project (exclusive<sup>2</sup> of any part thereof covered by a contract or conveyed pursuant to paragraph (9) of section 15, and exclusive of any portion thereof which is not assisted by annual contributions under this Act) is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivisions, but such contract shall require the public housing agency to make payments in lieu of taxes equal to 10 per centum of the annual shelter rents charged in such project or such lesser amount as (i) is prescribed by State law, or (ii) is agreed to by the local governing body in its agreement for local cooperation with the public housing agency required under subsection 15(7)(b)(i) of this Act, or (iii) is due to failure of a local public body or bodies other than the public housing agency to perform any obligation under such agreement: *Provided*, That, with respect to any such project which is not exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivisions, such contract shall provide, in lieu of the requirement for tax exemption and payments in lieu of taxes, that no annual contributions by the Authority shall be made available for such project unless and until the State, city, county, or other political subdivisions in which such project is situated shall contribute, in the form of cash or tax remission, the amount by which the taxes paid with respect to the project exceed 10 per centum of the annual shelter rents charged in such project: *Provided further*, That, prior to execution of the contract for annual contributions the public housing agency shall, in the case of a tax-exempt project, notify the governing body of the locality of its estimate of the annual amount of such payments in lieu of taxes and of the amount of taxes which would be levied if the property were privately owned, or, in the case where the project is taxed, its estimate of the annual amount of the local cash contribution, and shall thereafter include the actual amounts of such payments or contributions in its annual report. Contracts for annual contributions entered into prior to the effective date of the Housing Act of

<sup>1</sup> Sec. 402, Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954. 68 Stat. 590, 631, amended subsec. (h) to read as set forth down to the first proviso. Sec. 404, Housing Act of 1964, Public Law 88-560, approved September 2, 1964. 78 Stat. 769, 795, amended the remainder of this subsection to eliminate the provision which prohibited any payment in lieu of taxes that would reduce the value of the tax exemption to less than 20 percent of the Federal contribution.

Sec. 408 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1108, authorized payments in lieu of taxes for project fiscal years ending prior to April 1, 1956, by housing authorities in Houston, Tex.; Quincy, Ill.; Fresno, Calif.; Reading, Pa.; Huntington, W. Va.; Los Angeles, Calif.; Monroe, La.; Dothan, Ala.; Sacramento, Calif.; Cincinnati, Ohio; and Tampa, Fla.

Sec. 907, Housing Act of 1961, Public Law 87-70, approved June 30, 1961. 75 Stat. 149, 191, authorized payment in lieu of taxes by the Housing Authority of Holyoke, Mass., for its fiscal year ended December 31, 1956.

Sec. 1006, Housing Act of 1964, Public Law 88-560, approved September 2, 1964. 78 Stat. 769, 807, authorized payment in lieu of taxes by the Hawaii Housing Authority to the city and county of Honolulu for the fiscal year ended June 30, 1959.

<sup>2</sup> Sec. 507(b)(1), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965. 79 Stat. 451, 488, inserted the first part of this parenthetical phrase relating to par. (9) of sec. 15. The remainder of this parenthetical phrase was inserted by sec. 206(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 165.

1964<sup>1</sup> may be amended in accordance with the first sentence of this subsection.

(i)<sup>2</sup> Notwithstanding any other provision of law or any contract or other arrangement made pursuant thereto, any public housing agency which utilizes public services and facilities of a municipality or other local governmental agency making charges therefor separate from real and personal property taxes shall be authorized by the Authority (without any amendment to the contract for annual contributions or deductions from payments in lieu of taxes otherwise payable) to pay to such municipality or other local governmental agency the amount that would be charged private persons or dwellings similarly situated for such facilities and services.

(j) Repealed.<sup>3</sup>

#### RETROACTIVE EFFECT OF REPEAL OF SECTION 10(j)

The Secretary of Housing and Urban Development is authorized to agree with a public housing agency to the amendment of any annual contributions contract containing the provision prescribed in section 10(j) of the United States Housing Act of 1937 (as in effect prior to the enactment of the Housing and Community Development Act of 1974), so as to delete such provision and waive any rights of the United States that are accrued or may accrue under such provision.<sup>4</sup>

<sup>1</sup> September 2, 1964.

<sup>2</sup> Sec. 204(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 164, redesignated the former sec. 15(10) of the United States Housing Act of 1937 as sec. 10(1) and repealed the former sec. 10(1). Immediately prior to repeal by sec. 204(b), sec. 10(i) read as follows:

"(i) Notwithstanding any other provision of law, the Authority may enter into new contracts for loans and annual contributions for (1) not more than such number of dwelling units as does not exceed the number of units which were covered by annual contribution contracts on the date of enactment of the Housing Act of 1959 and are not built, the contracts therefor being canceled; and (2) additional dwelling units which, together with the dwelling units covered by new contracts entered into under clause (1), do not exceed thirty-seven thousand units: *Provided*, That the Authority may enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into hereunder: *Provided further*, That no such new contract for annual contributions for additional units shall be entered into except with respect to low-rent housing for a locality respecting which the Housing and Home Finance Administrator has made the determination and certification relating to a workable program as prescribed in section 101(c) of the Housing Act of 1949, as amended: *And provided further*, That no new contracts for loans and annual contributions for additional dwelling units in excess of the number authorized in this sentence shall be entered into unless authorized by the Congress."

<sup>3</sup> Immediately prior to repeal by sec. 206(c), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 165, subsec. 10(j) read as follows:

"(j) Every contract made pursuant to this Act for annual contributions for any low-rent housing project for which no such contract has been entered into prior to the enactment of the Housing Act of 1954 shall provide that—

(1) after payment in full of all obligations of the public housing agency in connection with the project for which any annual contributions are pledged, and until the total amount of annual contributions paid by the Authority in respect to such project has been repaid pursuant to the provisions of this subsection, (a) all receipts in connection with the project in excess of expenditures necessary for management, operation, maintenance, or financing, and for reasonable reserves therefor, shall be paid annually to the Authority and to local public bodies which have contributed to the project in the form of tax exemption or otherwise, in proportion to the aggregate contribution which the Authority and such local public bodies have made to the project, and (b) no debt in respect to the project, except for necessary expenditures for the project, shall be incurred by the public housing agency;

(2) if, at any time, the project or any part thereof is sold, such sale shall be to the highest responsible bidder after advertising, or at fair market value, and the proceeds of such sale together with any reserves, after application to any outstanding debt of the public housing agency in respect to such project, shall be paid to the Authority and local public bodies as provided in clause 1(a) of this subsection: *Provided*, That the amounts to be paid to the Authority and the local public bodies shall not exceed their respective total contribution to the project."

<sup>4</sup> Sec. 205 of Housing and Community Development Act of 1974, Public Law 93-383, as Stat. 633, approved August 22, 1974, added this sentence.



(k)<sup>1</sup> All expenditures of appropriations for the payment of annual contributions shall be subject to audit and final settlement by the Comptroller General of the United States under the provisions of the Budget and Accounting Act of 1921, as amended.

(l)<sup>2</sup> In any community where it has been determined by resolution or ordinance, or by referendum, that a project shall be liquidated by sale thereof to private ownership, such community may negotiate with the Federal Government with respect to the sale of the project, and the Authority shall agree that sale of the project may be made, subject<sup>3</sup> to any outstanding contracts made pursuant to paragraph (9) of section 15, after public advertisement to the highest bidder upon (1) payment and retirement of all outstanding obligations (together with any interest payable thereon and any premiums prescribed for the redemption of any bonds, notes, or other obligations prior to maturity) in connection with the project, and (2) payment of any proceeds received from the sale of the project in excess of the amounts required to comply with the requirements of the preceding clause numbered (1) to the Authority and to local public bodies in proportion to the aggregate contribution which the Authority and such local public bodies have made to the project.

(m) Repealed.<sup>4</sup>

#### CAPITAL GRANTS IN ASSISTANCE OF LOW RENTALS

SEC. 11. (a) As an alternative method of assistance to that provided in section 10, when any public housing agency so requests and demonstrates to the satisfaction of the Authority that such alternative method is better suited to the purpose of achieving and maintaining low rentals and to the other purposes of this Act, capital grants may be made to such agency for such purposes. The capital grants thus made for any low-rent housing or slum-clearance project shall be paid in connection with its development or acquisition, and shall be strictly limited to the amounts necessary, in the determination of the Authority, to assure its low-rent character.

(b) Pursuant to subsection (a) of this section, the Authority may make a capital grant for any low-rent housing or slum-clearance project, which shall in no case exceed 25 per centum of its development or acquisition cost.

(c) All payments of capital grants by the Authority pursuant to subsection (b) of this section shall be made out of any funds available to the Authority, except that its capital and its funds obtained through

<sup>1</sup> Subsec. (k) was added by sec. 405 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 633.

<sup>2</sup> Subsec. (l) was added by sec. 406 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 633.

<sup>3</sup> This clause inserted by sec. 507(b)(2), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 488.

<sup>4</sup> Subsec. 10(m) repealed by sec. 205(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 164. See also sec. 10(g) as amended by sec. 205(a) of the Housing Act of 1961.

Immediately prior to repeal subsec. 10(m) read as follows:

"For the purpose of increasing the supply of low-rent housing for elderly families, the Authority may assist in the construction of new housing or the remodeling of existing housing in order to provide accommodations designed specifically for such families. Notwithstanding the provisions of subsection 10(g), any public housing agency, in respect to dwelling units suitable to the needs of elderly families, may extend a prior preference to such families and may waive the provisions of clause (ii) of section 15(8)(b) with respect to such units: *Provided*, That, as among such families, the "First" preference in subsection 10(g) shall apply."

the issuance of obligations pursuant to section 20 (including repayments or other realizations of the principal of loans made out of such capital and funds) shall not be available for the payment of such capital grants.

(d) The Authority is authorized, on or after the date of the enactment of this Act to make capital grants (pursuant to subsection (b) of this section) aggregating not more than \$10,000,000, on or after July 1, 1938, to make additional capital grants aggregating not more than \$10,000,000, and on or after July 1, 1939, to make additional capital grants aggregating not more than \$10,000,000. Without further authorization from Congress, no capital grants beyond those herein authorized shall be made by the Authority.

(e) To supplement any capital grant made by the Authority in connection with the development of any low-rent housing or slum-clearance project, the President may allocate to the Authority, from any funds available for the relief of unemployment, an additional capital grant to be expended for payment of labor used in such development: *Provided*, That such additional capital grant shall not exceed 15 per centum of the development cost of the low-rent housing or slum-clearance project involved.

(f) No capital grant pursuant to this section shall be made for any low-rent housing or slum-clearance project unless the public housing agency receiving such capital grant shall also receive, from the State, political subdivision thereof, or otherwise, a contribution for such project (in the form of cash, land, or the value, capitalized at the going Federal rate of interest, of community facilities or services for which a charge is usually made, or tax remissions or tax exemptions) in an amount not less than 20 per centum of its development or acquisition cost.

#### DISPOSAL OF FEDERAL PROJECTS

SEC. 12. (a) It is hereby declared to be the purpose of Congress to provide for the orderly disposal of any low-rent housing projects hereafter transferred to or acquired by the Authority through the sale or leasing of such projects as hereinafter provided; and, in order to continue the relief of nationwide unemployment and in order to avoid waste pending such sale or lease, to provide for the completion and temporary administration of such projects by the Authority.

(b) As soon as practicable the Authority shall sell its Federal projects or divest itself of their management through leases.

(c) The Authority may sell a Federal project only to a public housing agency or <sup>1</sup> to a nonprofit body for use as low-rent housing. Any such sale shall be for a consideration, in whatever form may be satisfactory to the Authority, equal at least to the amount which the Authority determines to be the fair value of the project for housing purposes of a low-rent character (making such adjustment as the Authority deems advisable for any annual contributions which may hereafter be given hereunder in aid of the project), less such allowance for depreciation as the Authority shall fix. Such project shall then become eligible for loans pursuant to section 9, and either annual

<sup>1</sup> Sec. 505, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 487, added the remainder of this sentence.

contributions pursuant to section 10 or a capital grant pursuant to section 11. Any obligation of the purchaser accepted by the Authority as part of the consideration for the sale of such project shall be deemed a loan pursuant to section 9.

(d) The Authority may lease any Federal low-rent housing project, in whole or in part, to a public housing agency. The lessee of any project, pursuant to this paragraph, shall assume and pay all management, operation, and maintenance costs, together with payments, if any, in lieu of taxes and shall pay to the Authority such annual sums as the Authority shall determine are consistent with maintaining the low-rent character of such project. The provisions of section 321 of the Act of June 30, 1932 (U.S.C. 1934 edition, title 40, sec. 303(b)), shall not apply to any lease pursuant to this Act.

(e) In the administration of any Federal low-rent housing project pending sale or lease, the Authority shall fix the rentals at the amounts necessary to pay all management, operation, and maintenance costs, together with payments, if any, in lieu of taxes, plus such additional amounts as the Authority shall determine are consistent with maintaining the low-rent character of such project.

(f) There is hereby transferred to the Authority, effective not later than sixty days after the effective date of the Housing Act of 1950,<sup>1</sup> all right, title, and interest, including contractual rights and reversionary interests, held by the Federal Government in and with respect to all labor supply centers, labor homes, labor camps, and facilities held in connection therewith and heretofore administered by the Secretary of Agriculture, for use as low-rent housing projects for families and persons of low income. Such projects when so transferred shall (notwithstanding any other provision of law) be low-rent housing projects subject to the provisions of this Act, except as otherwise provided in this subsection. Such projects shall be operated for the principal purpose of housing persons engaged in agricultural work, and preference for occupancy in such projects shall be given to agricultural workers and their families; the rents in such projects shall not be higher than the rents which such tenants can afford; and the provisions of the second, third, and fourth sentences of subsection 2(1) of this Act shall not be applicable to such projects. The Authority is authorized to enter into contracts for disposal of said projects by any of the methods provided in this Act, including disposal of any such project to a public housing agency for a consideration consisting of the payment by the public housing agency to the Authority during a term of not less than twenty years of all income therefrom after deduction of the amounts necessary for (i) reasonable and proper costs of management, operation, maintenance, and improvement of such project; (ii) payments in lieu of taxes not in excess of 10 per centum of shelter rents; (iii) establishment and maintenance of reasonable and proper reserves; and (iv) the payment of currently maturing installments of principal and interest on any indebtedness incurred in connection with such project by the public housing agency with the approval of the Authority. Pending sale or lease of said projects to public housing agencies, the Authority may continue present leases and permits, or may enter into new leases with public bodies or nonprofit organizations for the operation of such projects. Pending sale of such projects the

<sup>1</sup> An exchange of letters between the Secretary of Agriculture and the Public Housing Commissioner established June 19, 1950, as the date of transfer of the farm labor camps.



Authority may make any necessary improvements thereto and may pay any deficits incurred in their improvement and administration out of any of the funds available to it under this Act. Appropriations to reimburse the Authority for any amounts expended pursuant to this subsection, in excess of the funds transferred with such projects, are hereby authorized.<sup>1</sup>

<sup>2</sup> Notwithstanding any other provision of law, upon the filing of a request therefor within eighteen months after the date of the enactment of this sentence,<sup>3</sup> the Authority shall relinquish, transfer, and convey, without monetary consideration, all of its rights, title, and interest in and with respect to any such project or any part thereof (including such land as is determined by the Authority to be reasonably necessary to the operation of such project, and including contractual rights to revenues, reserves, and other proceeds therefrom), (1) in the case of any State other than Florida, to any public housing agency whose area of operation includes the project, upon a finding and certification by the public housing agency (which shall be conclusive upon the Authority) that the project is needed to house persons and families of low income and that preference for occupancy in the project will be given first to low-income agricultural workers and their families and second to other low-income persons and their families; and (2) in the case of Florida, to any public housing agency in the State whenever, under the laws of the State, such agency (A) is authorized to acquire and operate such project, (B) is required to give preference for occupancy in such project, first, to low-income agricultural workers and their families, and second, to other low-income persons and their families, (C) is required, in the event of the disposition of such project by sale or otherwise, to use the proceeds thereof and any available accumulated earnings to construct facilities (which shall be subject to the same preferences as those specified in clause (B)) for occupancy by low-income agricultural workers and their families in the same area, and (D) is required, so long as it continues to own or operate such project, to have on its managing board one or more members whose principal occupation is farming. Upon the relinquishment and transfer of any such project it shall cease to be a low-rent project within the meaning of this Act, and the Authority shall have no further jurisdiction over it, except that in any conveyance under the preceding sentence the Authority may reserve to the United States any mineral rights of whatsoever nature upon, in, or under the property, including such rights of access to and the use of such parts of the surface of the property as may be necessary for mining and saving the minerals. Any project, or part thereof not relinquished and conveyed pursuant to this subsection or under a contract for disposal pursuant to this subsection within eighteen months after the date of the enactment of this sentence<sup>4</sup> shall be disposed of by the

<sup>1</sup> Sec. 205(c) of Public Law 475, 81st Congress, approved April 20, 1950, 64 Stat. 48, provides as follows:

"(c) All unexpended receipts (notwithstanding any limitations in the second proviso of title I of Public Law 76, Eightieth Congress, under the heading of 'Farm Labor Supply Program') derived from the sales of labor supply centers, labor homes, labor camps, and facilities, and all other unexpended balances of funds available for the maintenance operation, and liquidation of the properties transferred thereunder and for administrative expenses in connection therewith shall be transferred, upon the transfer of such properties, to the Public Housing Administration to be available, until expended, in accordance with the provisions of the United States Housing Act of 1937, as amended."

<sup>2</sup> This paragraph added by sec. 405 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1104.

<sup>3</sup> August 7, 1956.

<sup>4</sup> August 7, 1956.

Authority pursuant to subsection (e) of section 13 of this Act, notwithstanding the parenthetical clause in such subsection.

#### GENERAL POWERS OF THE AUTHORITY

SEC. 13. (a) The Authority may foreclose on any property or commence any action to protect or enforce any right conferred upon it by any law, contract, or other agreement. The Authority may bid for and purchase at any foreclosure by any party or at any other sale, or (pursuant to section 22 or otherwise) acquire or take possession of any project which it previously owned or in connection with which it has made a loan, annual contribution, or capital grant; and in such event the Authority may complete, administer, pay the principal of and interest on any obligations issued in connection with such project, dispose of, and otherwise deal with, such projects or parts thereof, subject, however, to the limitations elsewhere in this Act governing their administration and disposition.

(b) The acquisition by the Authority of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil and criminal jurisdiction in and over such property, or impair the civil rights under the State or local law of the inhabitants on such property; and, insofar as any such jurisdiction may have been taken away or any such rights impaired by reason of the acquisition of any property transferred to the Authority pursuant to section 4(b), such jurisdiction and such rights are hereby fully restored.

(c) The Authority may enter into agreements to pay annual sums in lieu of taxes to any State or political subdivision thereof with respect to any real property owned by the Authority. The amount so paid for any year upon any such property shall not exceed the taxes that would be paid to the State or subdivision, as the case may be, upon such property if it were not exempt from taxation thereby.

(d) The Authority may procure insurance against any loss in connection with its property and other assets (including mortgages), in such amounts, and from such insurers, as it deems desirable.

(e) The Authority may sell or exchange at public or private sale, or lease, any real property (except low-rent housing projects, the disposition of which is governed elsewhere in this Act) or personal property, and sell or exchange any securities or obligations, upon such terms as it may fix. The Authority may borrow on the security of any real or personal property owned by it, or on the security of the revenues to be derived therefrom, and may use the proceeds of such loans for the purposes of this Act.

SEC. 14. Subject to the specific limitations or standards in this Act governing the terms of sales, rentals, leases, loans, contracts for annual contributions, contracts for capital grants, or other agreements, the Authority may, whenever it deems necessary or desirable in the fulfillment of the purposes of this Act, consent to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, security, amount of annual contribution, or any other term, of any contract or agreement of any kind to which the Authority is a party or which has been transferred to it pursuant to this Act. When the Authority finds that it would promote economy or be in the financial interest of the Federal Government, or <sup>1</sup> is necessary to in-

<sup>1</sup> Sec. 213(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 389, inserted "or is necessary to insure the low-rent character of the project involved."



sure the low-rent character of the project involved, any contract heretofore or hereafter made for annual contributions, loans, or both, may with Presidential approval,<sup>1</sup> be amended or superseded by a contract of the Authority so that the going Federal rate on the basis of which such annual contributions or interest rate on the loans, or both, respectively, are fixed shall mean the going Federal rate, as herein defined, on the date of Presidential approval of such amending or superseding contract: *Provided*, That contracts may not be amended or superseded in a manner which would impair the rights of the holders of any outstanding obligations of the public housing agency involved for which annual contributions have been pledged. Any rule of law contrary to this provision shall be deemed inapplicable.

SEC. 15. In order to insure that the low-rent character of housing projects will be preserved, and that the other purposes of this Act will be achieved,<sup>2</sup> it is hereby provided that—

(1) When a loan is made pursuant to section 9 for a low-rent housing project the Authority may retain the right, in the event of a substantial breach of the condition (which shall be embodied in the loan agreement) providing for the maintenance of the low-rent character of the housing project involved or in the event of the acquisition (except<sup>2</sup> pursuant to paragraph (9) of section 15) of such project by a third party in any manner including a bona-fide foreclosure under a mortgage or other lien held by a third party, to increase the interest payable thereafter on the balance of said loan then held by the Authority to a rate not in excess of the going Federal rate (at the time of such breach or acquisition) plus 2 per centum per annum or to declare the unpaid principal on said loan due forthwith.

(2) When a loan is made pursuant to section 9 for a slum-clearance project the Authority shall retain the right, in the event of the leasing or acquisition (except<sup>3</sup> pursuant to paragraph (9) of section 15) of such project by a third party in any manner including a bona-fide foreclosure under a mortgage or other lien held by a third party, to increase the interest payable thereafter on the balance of said loan then held by the Authority to a rate not in excess of the going Federal rate (at the time of such leasing or acquisition) plus 2 per centum per annum or to declare the unpaid principal on said loan due forthwith.

(3) When a contract for annual contributions is made pursuant to section 10, the Authority shall retain the right, in the event of a substantial breach of the condition (which shall be embodied in such contract) providing for the maintenance of the low-rent character of the housing project involved, to reduce or terminate the annual contributions payable under such contract. In the event of the acquisition (except<sup>3</sup> pursuant to paragraph (9) of section 15) of such project by a third party in any manner including a bona fide foreclosure under a mortgage or other lien held by a third party, such annual contributions shall terminate.

<sup>1</sup> Executive Order 11196, empowered the Housing and Home Finance Administrator to approve the amending or superseding of contracts, or both, without the approval, ratification, or other action of the President.

<sup>2</sup> The First Independent Office Appropriation Act, 1954, Public Law 176, 83d Congress, approved July 31, 1954, 67 Stat. 298, 307 provides that the record of expenditure of the Public Housing Administration and of the local housing authority on any public housing project shall be open to examination by the responsible authorities of any community in which such project is located, or by the local public housing authority, or by any firm of public accountants retained by either of the foregoing.

<sup>3</sup> Sec. 507(b) (3), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 488, inserted this parenthetical phrase.



(4) The Authority may also insert in any contract for loans, annual contributions, capital grants, sale, lease, mortgage, or any other agreement or instrument made pursuant to this Act, such other covenants, conditions, or provisions as it may deem necessary in order to insure the low-rent character of the housing project involved: *Provided*, That any such contract for a substantial loan may contain a condition requiring the maintenance of an open space or playground in connection with the housing project involved if deemed necessary by the Authority for the safety or health of children.

(5) Every contract made pursuant to this Act for loans (other than preliminary loans), annual contributions, or capital grants for any low-rent housing project completed after January 1, 1948, shall provide that the cost for construction and equipment of such project (excluding land, demolition, and nondwelling facilities) on <sup>1</sup> which the computation of any annual contributions under this Act may be based shall not exceed by more than 10 per centum <sup>2</sup> the appropriate prototype cost for the area. Prototype costs shall be determined at least annually by the Secretary on the basis of his estimate of the construction and equipment costs of new dwelling units of various sizes and types in the area suitable for occupancy by persons assisted under this Act. The Secretary in determining the area's prototype costs shall take into account the extra durability required for economical maintenance of assisted housing, and the provision of amenities designed to guarantee safe and healthy family life and neighborhood environment. Further, in developing such prototypes, emphasis should be given to encouraging good design as an essential component of such housing and to producing housing which will be of such quality as to reflect the architectural standards of the neighborhood and community. The prototype costs for any area shall become effective upon the date of publication in the Federal Register. Every contract made pursuant to this Act for loans (other than preliminary loans), annual contributions, or capital grants with respect to any low-rent housing project initiated after March 1, 1949, shall provide that such project shall be undertaken in such a manner that it will not be of elaborate or extravagant design or materials, and economy will be promoted both in construction and administration. In order to attain the foregoing objective, every such contract shall provide that no award of the main construction contract for such project shall be made unless the Authority, taking into account the level of construction costs prevailing in the locality where such project is to be located, shall have specifically approved the amount of such main construction contract. Every <sup>3</sup> contract made

<sup>1</sup> Sec. 206(a)(1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 164, inserted "on which the computation of any annual contributions under this Act may be based."

<sup>2</sup> Sec. 209(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1778, substituted the remainder of this sentence which reads "shall not exceed by more than 10 per centum the appropriate prototype cost for the area" and also the next four sentences for the following:

"shall not exceed \$2,800 per room (\$3,900 per room in the case of Alaska, or in the case of accommodations designed specifically for elderly families, \$4,000 per room and \$4,500 per room in the case of Alaska): *Provided*, That if the Secretary finds that in the geographical area of any project (1) it is not feasible under the aforesaid cost limitations to construct the project without sacrifice of sound standards of construction, design, and livability, and (2) there is an acute need for such housing, he may prescribe in such contract cost limitations which may exceed by not more than \$1,500 per room in the case of accommodations designed specifically for elderly families, or \$1,400 per room in any other case, the limitations that would otherwise be applicable to such project hereunder."

Sec. 209(b), Housing and Urban Development Act of 1970, provides that this section shall become effective on such date as the Secretary of Housing and Urban Development prescribes, but not later than one hundred and twenty days following the date of enactment of this Act.

<sup>3</sup> This sentence added by sec. 401(c) of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 302.

pursuant to this Act for loans, annual contributions, or capital grants, with respect to a project for which the preparation of plans, drawings, and specifications has not been started or contracted for prior to the date of enactment of the Housing Act of 1957, shall require that such plans, drawings, and specifications follow the principle of modular measure in every case deemed feasible by the public housing agency, in order that the housing may be built by conventional construction, on-site fabrication, factory pre-cutting, factory fabrication, or any combination of these construction methods.

(6)<sup>1</sup> Any contract for loans or annual contributions, or both, entered into by the Authority with a public housing agency, may cover one or more than one low-rent housing project owned by said public housing agency; in the event such contract covers two or more projects, such projects may, for any of the purposes of this Act and of such contract (including, but not limited to, the determination of the amount of the loan, annual contributions, or payments in lieu of taxes, specified in such contract), be treated collectively as one project.

(7) In recognition that there should be local determination of the need for low-rent housing to meet needs not being adequately met by private enterprise—

(a) the Authority shall not make any contract with a public housing agency for preliminary loans (all of which shall be repaid out of any moneys which become available to such agency for the development of the projects involved) for surveys and planning in respect to any low-rent housing projects initiated after March 1, 1949, (i) unless the governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan; and (ii) unless the public housing agency has demonstrated to the satisfaction of the Authority that there is a need for such low-rent housing which is not being met by private enterprise; and

(b) the Authority shall not make any contract for loans (other than preliminary loans) or for annual contributions pursuant to this Act with respect to any low-rent housing project initiated after March 1, 1949, (i) unless the governing body of the locality involved has entered into an agreement with the public housing agency providing for the local cooperation required by the Authority pursuant to this Act, (ii) unless the public housing agency has demonstrated to the satisfaction of the Authority that a gap of at least 20 per centum (except in the case of a displaced family or an elderly family) has been left between the upper rental limits

<sup>1</sup> Sec. 206(a) (4), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 165, deleted the following para. (6) and renumbered this paragraph (formerly numbered (9)) to be para. (6):

"(6) Notwithstanding the provisions of subsection (5) of this section, or of any other section of this Act, the Authority is authorized to make capital grants, loans, or annual contributions for low-rent housing or slum-clearance projects, in the full amount of any sums previously allocated pursuant to this Act, to any public housing agency, at the request of such agency, upon condition that such agency will pay, or cause to be paid by the State or political subdivision, such proportion of the total development cost of the project as the amount of the average actual cost per family dwelling unit of the items covered by the applicable cost limitations prescribed in subsection (5) of this section in excess thereof bears to such average actual cost: *Provided*, That the amount of any such payment shall be excluded from the base on which the maximum amount of any capital grants, loans, or annual contributions authorized by this Act are calculated. The receipt of capital grants, loans, or annual contributions by any public housing agency pursuant to this subsection shall in no way prejudice or impair the rights or privileges of such agency to participate fully in other low-rent housing or slum-clearance projects under this Act or any other law. Nothing in this subsection shall prejudice the right of those public housing agencies which can, by reason of lesser need, or would prefer to delay the starting of their proposed building operations until labor and material costs stabilize at levels consistent with the cost limitations prescribed in subsection (5) of this section."



for admission to the proposed low-rent housing and the lowest rents at which private enterprise unaided by public subsidy is providing (through new construction and available existing structures) a substantial supply of decent, safe, and sanitary housing toward meeting the need of an adequate volume thereof; and (iii) unless the public housing agency has demonstrated to the satisfaction of the Authority that there is a feasible method for the temporary relocation of the individuals and families displaced from the project site, and that there are or are being provided, in the project area or in other areas not generally less desirable in regard to public utilities and public and commercial facilities and at rents or prices within the financial means of such individuals and families, decent, safe, and sanitary dwellings equal in number to the number of and available to such individuals and families and reasonably accessible to their places of employment. Repealed.<sup>1</sup>

(8) The Authority may authorize the cost of relocation payments made by public housing agencies to be included with the development or acquisition cost of any project for purposes of determining the amount of loans and annual contributions authorized to be made with respect to such project under sections 9 and 10, but such costs shall be separately stated as relocation costs. For purposes of this paragraph, a "relocation payment" is a payment (i) which is made to an individual, family, business concern, or nonprofit organization displaced on or after January 27, 1964, from a low-rent housing project site as a result of the acquisition of real property by a public housing agency, (ii) which is not otherwise authorized under any Federal law, and (iii) which is made only on such terms and conditions, and subject to such limitations, as are authorized (as of the time such payment is approved) under section 114 (b), (c), and (d) of the Housing Act of 1949 for relocation payments made to individuals, families, business concerns, or nonprofit organizations, as the case may be. Repealed.<sup>2</sup>

(9)<sup>3</sup> Notwithstanding any other provision of this Act, but subject to the provisions of any contract with the Authority, any public housing agency may permit any member of a tenant family to enter into a contract (either individually or as a member of a group) for the acquisition of a dwelling unit in any project of the public housing agency, if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable for sale and for occupancy by such purchaser or a member or members of his family, upon the following terms:

<sup>1</sup> This clause (iii) originally added by sec. 405(a), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 795, and repealed by sec. 220(a) (6) of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646, approved January 2, 1971, 84 Stat. 1894, 1903. However, this repeal is not immediately effective in all States. See sec. 221 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

<sup>2</sup> Paragraph (8) originally added by sec. 406, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 795, 796. The second sentence of this paragraph (8) was repealed by sec. 220(a) (6) of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. However, this repeal is not immediately effective in all States.

<sup>3</sup> Added by sec. 507(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 488. The former par. (9) was redesignated as par. (6) by sec. 206(a) (3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 165.

Sec. 205, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 504, amended subsection (9) to permit tenant purchase of any unit suitable for individual ownership, and removed provisions restricting purchases to units which were detached or semidetached.



(A) The purchaser shall pay at least (i) a pro rata share cost of any services furnished him by the public agency, including but not limited to, administration, maintenance, repairs, utilities, insurance, provision of reserves, and other expenses, (ii) local taxes on his dwelling unit, and (iii) monthly payments of interest and principal sufficient to amortize a sales price, equal to the greater of the unamortized debt or the appraised value (at the time such purchase contract is entered into) of the dwelling unit, in not more than forty years: *Provided*, That the public housing agency may, under terms and conditions to be prescribed by it, permit a purchaser to apply an amount equal to the net rent paid for his dwelling unit, over a period not exceeding three years prior to the entering into of any such contract, toward the purchase price of such unit;

(B) The interest rate shall be fixed at not less than the average interest cost of loans outstanding on the project, except that in the case of a project on which bonds are not outstanding the interest rate shall be fixed at not less than the going Federal rate applicable to such project;

(C) The principal payments shall be not less than one-half of 1 per centum per annum of the sales price during the first five years after purchase, 1 per centum per annum during the next five years,  $1\frac{1}{2}$  per centum per annum during the third five years, and thereafter not less than the principal payments resulting from a level debt service of interest and principal over the balance of the payment period; and

(D) If at any time (i) a purchaser fails to carry out his contract with the public housing agency and if no member of his family who resides in the dwelling assumes such contract, or (ii) the purchaser or a member of his family who assumes the contract does not reside in the dwelling, the public housing agency shall have an option to acquire his interest under such contract upon payment to him or his estate of an amount equal to his aggregate principal payments plus the value to the public housing agency of any improvements made by him, less an amount equal to  $2\frac{1}{2}$  per centum of the sales price.

(10) Repealed.<sup>1</sup>

<sup>1</sup> Paragraph (10) repealed by sec. 903(d), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1809. See sec. 106(a) (iii), Housing and Urban Development Act of 1968.

Immediately prior to repeal paragraph 10 read as follows:

"(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services. For purposes of this paragraph the term 'tenant services' includes the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed \$15,000,000 for the fiscal year ending June 30, 1969, and not to exceed \$30,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1971."

(11)<sup>1</sup> Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative.

(12)<sup>2</sup> The Secretary shall encourage public housing agencies, in providing housing predominantly for displaced, elderly, or handicapped families, to design, develop, or otherwise acquire such housing to meet the special needs of the occupants and, wherever practicable, for use in whole or in part as congregate housing: *Provided*, That not more than 10 per centum of the total amount of contracts for annual contributions entered into in any fiscal year pursuant to the new authority granted under section 202 of the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units in congregate housing. As used in this paragraph, the term "congregate housing" means low-rent housing (A) in which some or all of the dwelling units do not have kitchen facilities, and (B) connected with which there is a central dining facility to provide wholesome and economical meals for elderly families under terms and conditions prescribed by the public housing agency to permit a generally self-supporting operation. Expenditures incurred by a public agency in the operation of a central dining facility in connection with congregate housing (other than the cost of providing food and service) shall be considered one of the costs of administration of the project.

SEC. 16. In order to protect labor standards—

(1) The provisions of the Act of August 30, 1935, entitled "An Act to amend the Act approved March 3, 1931, relating to the rate of wages for laborers and mechanics employed by contractors and subcontractors on public buildings" (49 Stat. 1011), and of the Act of August 24, 1935, entitled "An Act requiring contracts for the construction, alteration, and repair of any public building or public work of the United States to be accompanied by a performance bond protecting the United States and by an additional bond for the protection of persons furnishing material and labor for the construction, alteration, or repair of said public buildings or public work" (U.S.C., 1934 edition, Supp. II, title 40, secs. 270a to 270d, inclusive) shall apply to contracts in connection with the development or administration of Federal projects and the furnishing of materials and labor for such projects: *Provided*, That suits may be brought in the name of the Authority and that the Authority shall itself perform the duties prescribed by section 3(a) of the Act of August 30, 1935, and section 3 of the Act of August 24, 1935.

(2) Any contract for loans, annual contributions, capital grants, sale, or lease pursuant to this Act shall contain a provision requiring that not less than the salaries or wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Authority, shall be paid to all architects, technical engineers, draftsmen, and technicians, employed in the development and to all maintenance laborers and mechanics employed in

<sup>1</sup> Sec. 207, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 504, added paragraph (11).

<sup>2</sup> Sec. 207, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1777, added paragraph (12).

the administration of the low-rent housing or slum-clearance project involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved (including <sup>1</sup> a project for the use of privately built housing in any case, other than under the authority of section 23 of this Act, where the public housing agency and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and that each such laborer or mechanic shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be; and the Authority shall require certification as to compliance with the provisions of this paragraph prior to making any payment under such contract.

(3) The provisions of sections 1 and 2 of the Act of June 13, 1934 (U.S.C., 1934 edition, title 40, secs. 276b and 276c), shall apply to any low-rent housing or slum-clearance project financed in whole or in part with funds made available pursuant to this Act.

(4) Repealed.<sup>2</sup>

#### FINANCIAL PROVISIONS

SEC. 17.<sup>3</sup> In the performance of, and with respect to, functions, powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950.

SEC. 18. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$26,000,000 for the fiscal year ending June 30, 1938, of which \$1,000,000 shall be available to pay the subscription to the capital stock of the Authority. Such sum, and all receipts and assets of the Authority, shall be available for the purposes of this Act until expended.

SEC. 19. Any funds available under any Act of Congress for allocation for housing or slum clearance may, in the discretion of the President, be allocated to the Authority for the purposes of this Act.

SEC. 20. The Authority may issue and have outstanding at any one time notes and other obligations for purchase by the Secretary of the Treasury in an amount which shall not, unless <sup>4</sup> authorized by the President, exceed \$1,500,000,000. For the <sup>5</sup> purpose of determining ob-

<sup>1</sup> Sec. 103, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1284, extended the application of the prevailing wage provisions of the Davis-Bacon Act to all laborers and mechanics employed in the construction of privately built housing projects, to be used as public housing projects.

<sup>2</sup> Repealed by sec. 404 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 633 Par. (4) provided for monthly reports to the Secretary of Labor by contractors and subcontractors engaged on projects financed in whole or in part with funds made available pursuant to the United States Housing Act of 1937.

<sup>3</sup> Sec. 1719(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 610, repealed the original Sec. 17, which provided capital stock of \$1,000,000 for the Authority to be subscribed by the U.S. and paid by the Treasury. Sec. 1719(b) also provided that the capital stock should be retired and the \$1,000,000 represented by the stock should be returned to the Treasury.

This new section 17 was added by sec. 1719(c) of the 1968 Act.

<sup>4</sup> Sec. 203(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 503, inserted "unless authorized by the President".

<sup>5</sup> Sec. 203(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 503, added this sentence.



ligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies. Such notes or other obligations shall be in such forms and denominations, shall have such maturities, and shall be subject to such terms and conditions as may be prescribed by the Authority with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the notes or other obligations by the Authority. The Secretary of the Treasury is authorized and directed to purchase any notes or other obligations of the Authority issued hereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

SEC. 21. (a) Any money of the Authority not otherwise employed may be deposited, subject to check, with the Treasurer of the United States or in any Federal Reserve bank, or may be invested in obligations of the United States or used in the purchase or retirement or redemption of any obligations issued by the Authority.

(b) The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for the Authority in the general exercise of its powers, and the Authority may reimburse any such bank for its services in such manner as may be agreed upon.

(c) The Authority may be employed as a financial agent of the Government. When designated by the Secretary of the Treasury, and subject to such regulations as he may prescribe, the Authority shall be a depository of public money, except receipts from customs.

(d) Repealed.<sup>1</sup>

#### PRIVATE FINANCING

SEC. 22. To facilitate the enlistment of private capital<sup>2</sup> through the sale by public housing agencies of their bonds and other obligations to others than the Authority, in financing low-rent housing projects, and to maintain the low-rent character of housing projects—

<sup>1</sup> This subsection repealed by sec. 204(c), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 164. See also sec. 10(e) as amended by sec. 204(a) of the Housing Act of 1961.

Immediately prior to repeal subsection (d) read as follows:

"Not more than 15 per centum of the total annual amount of \$336,000,000 provided in this Act for annual contributions, nor more than 15 per centum of the amounts provided for in this Act for grants, shall be expended within any one State."

<sup>2</sup> The first Independent Offices Appropriation Act, 1954, Public Law 176, 83d Congress, approved July 31, 1953, 67 Stat. 298, 315, provides that during fiscal year 1954 the PHA Commissioner shall make every effort to refund all local bonds held by the Public Housing Administration under the United States Housing Act of 1937, as amended. The Independent Offices Appropriation Act, 1955, Public Law 428, 83d Congress, approved June 24, 1954, 68 Stat. 273, 297, provided that the Commissioner should continue to make this effort.

(a) Every contract for annual contributions (including contracts which amend or supersede contracts previously made) may provide that—

(1) upon the occurrence of a substantial default in respect to the covenants or conditions to which the public housing agency is subject (as such substantial default shall be defined in such contract), the public housing agency shall be obligated at the option of the Authority, either to convey title in any case where in the determination of the Authority (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act, or to deliver possession to the Authority of the project, as then constituted, to which such contract relates: *Provided*,<sup>1</sup> That such conveyance or delivery of title shall be subject to the rights of third parties vested pursuant to paragraph (9) of section 15;

(2) the Authority shall be obligated to reconvey or to redeliver possession of the project, as constituted at the time of reconveyance or redelivery, to such public housing agency or to its successor (if such public housing agency or a successor exists) upon such terms as shall be prescribed in such contract and as soon as practicable: (i) after the Authority shall be satisfied that all defaults with respect to the project have been cured, and that the project will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or (ii) after the termination of the obligation to make annual contributions available unless there are any obligations or covenants of the public housing agency to the Authority which are then in default. Any prior conveyances and reconveyances, deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the project to the Authority pursuant to subparagraph (1), upon the subsequent occurrence of a substantial default.

(b) Whenever such contract for annual contributions shall include provisions which the Authority, in said contract, determines are in accordance with subsection (a) hereof, and the annual contributions, pursuant to such contract, have been pledged by the public housing agency as security for the payment of the principal and interest on any of its obligations, the Authority (notwithstanding any other provisions of this Act) shall continue to make annual contributions available for the project so long as any of such obligations remain outstanding, and may covenant in such contract (in lieu of the provision required by the first sentence of subsection 15(3) of this Act and notwithstanding any other provisions of law) that in any event such annual contributions shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the project for the purpose at the time such annual contribution is made, will suffice for the payment of all installments, falling due within the next succeeding twelve months, of principal and interest on the obligations for which the annual contributions pro-

<sup>1</sup> This proviso inserted by sec. 507(b)(4), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489.

vided for in the contract shall have been pledged as security: *Provided*, That such annual contributions shall not be in excess of the maximum sum determined pursuant to the proviso of subsection 10(b), or, where applicable, the second proviso of subsection 10(c); and in no case shall such annual contributions be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

(c)<sup>1</sup> Obligations of a public housing agency which (1) are secured either (A) by a pledge of a loan under an agreement between such public housing agency and the Authority, or (B) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Authority, and (2) bear, or are accompanied by, a certificate of the Authority that such obligations are so secured, shall be incontestable in the hands of a bearer, and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Authority as security for such obligations.

#### LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 23.<sup>2</sup> (a) (1) For the purpose of providing a supplementary form of low-rent housing which will aid in assuring a decent place to live for every citizen and promote efficiency and economy in the program under this Act by taking full advantage of vacancies or potential vacancies in the private housing market, each public housing agency shall, to the maximum extent consistent with the achievement of the objectives of this Act, provide low-rent housing under this Act in the form of low-rent housing in private accommodations in accordance with this section where such housing in private accommodations can be provided at a cost equal to or less than housing in projects assisted under other provisions of this Act.

(2) The provisions of this section shall not apply to any locality unless the governing body of the locality has by resolution approved the application of such provisions to such locality.

(3) As used in this section, the term "low-rent housing in private accommodations" means dwelling units in a structure leased from a private owner, which provide decent, safe, and sanitary dwelling accommodations and related facilities effectively supplementing the accommodations and facilities in low-rent housing assisted under the other provisions of this Act in a manner calculated to meet the total housing needs of the community in which they are located; and the term "owner" means any person or entity having the legal right to lease or sublease property containing one or more dwelling units as described in this section.

(b) Beginning as soon as practicable after the date of the enactment of this section, each public housing agency shall conduct a continuing survey and listing of the available dwelling units within the

<sup>1</sup> Added by Sec. 302(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 166.

<sup>2</sup> Added by sec. 103(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 455, which also redesignated the former sec. 23 as sec. 24.



community or communities under its jurisdiction which provide decent, safe, and sanitary dwelling accommodations and related facilities and are, or may be made, suitable for use as low-rent housing in private accommodations under this section.

(c) Each public housing agency, by notification to the owners of housing listed under subsection (b), or by publication or advertisement, or otherwise, shall from time to time make known to the public in the community or communities under its jurisdiction the anticipated need for dwelling units in such community or communities to be used as low-rent housing in private accommodations under this section, inviting the owners of such dwelling units to make available for purposes of this section one or more of such units (not exceeding 10 per centum of the units in any single structure except to the extent that the agency, because of the limited number of units in the structure or for any other reason, determines that such limit should not be applied). The public housing agency shall conduct appropriate inspections of the units offered to be made available in any residential structure by the owner thereof in response to such invitation, and if—

(1) it finds that such units are, or may be made, suitable for use as low-rent housing in private accommodations within the meaning of subsection (a) (3), and

(2) the rentals to be charged for such units, as negotiated and agreed to by the agency and the owner of the structure in a manner consistent with subsection (d) (2), are within the financial range of families of low income,

such agency may approve such units for use as low-rent housing in private accommodations in accordance with (and subject to the applicable limitations contained in) this section. Each public housing agency shall maintain and keep current a list of units approved by it under this subsection, including such information with respect to each such unit as it may consider necessary or appropriate.

(d) To the extent of contracts for annual contributions entered into by the Authority with a public housing agency under section 10(e), such agency may enter into contracts with the owners of structures containing dwelling units approved under subsection (c) for the use of such units in accordance with this section (and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a) (3) and approved under subsection (c), which may be so used in any community).<sup>1</sup> Each such contract with an owner shall provide (with respect to any unit) that—

(1) the selection of tenants for such unit shall be the function of the owner, subject to the provisions of the contract between the Authority and the agency;

(2) the rental and other charges to be received by the owner shall be negotiated and agreed to by the agency and the owner, and the rental and other charges to be paid by the tenant shall be determined in accordance with the standards applicable to units in low-rent housing projects assisted under the other provisions of this Act;

<sup>1</sup> Sec. 210, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 505, added the material in the parentheses.

(3) the agency shall have the sole right to give notice to vacate, with the owner having the right to make representations to the agency for termination of a tenancy;

(4) maintenance and replacements (including redecoration) shall be in accordance with the standard practice for the building concerned, as established by the owner and agreed to by the agency; and

(5) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them. Each contract between a public housing agency and an owner entered into under this subsection shall be for a term of not less than twelve months nor more than one hundred and twenty months,<sup>1</sup> and shall be renewable by such agency and owner at the expiration of such term: *Provided*, That no renewal of such a contract shall result in a total term exceeding two hundred and forty months (or one hundred and eighty months in the case of an existing structure).

(e) The annual contribution under this Act for a project of a public housing agency for low-rent housing in private accommodations under this section in lieu of any other guaranteed contribution authorized by section 10 shall not exceed the amount of the fixed annual contribution which would be established under this Act for a newly constructed project by such public housing agency designed to accommodate the comparable number, sizes, and kinds of families. The period over which payments will be made to a public housing agency for a project of low-rent housing in private accommodations under this section, and the aggregate amount of such payments, under a contract for annual contributions, shall be determined on the basis of the number of units in the community or communities under the jurisdiction of such agency which are in use (or can reasonably be expected to be placed in use) as low-rent housing in private accommodations under this section, taking into account the terms of the leases under which such units are (or will be) so used. In addition, contracts for financial assistance entered into by the Authority with a public housing agency pursuant to this section shall provide for reimbursement of reasonable and necessary expenses incurred by such agency in conducting surveys, listings, and inspections described in subsections (b) and (c).

(f)<sup>2</sup> The provisions of sections 10(h) and 15(7) of this Act, shall not apply to low-rent housing assisted or to be assisted under this section.

(g)<sup>3</sup> To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the

<sup>1</sup> Sec. 204(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1777, substituted "one hundred and twenty months" for "sixty months" and inserted the proviso at the end of this sentence. Sec. 1002, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1284, had substituted "sixty months" for "thirty-six months."

<sup>2</sup> Sec. 217(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 390, eliminated the workable program special exemption with respect to low-rent housing in private accommodations since sec. 217(b), Housing and Urban Development Act of 1969, eliminated the workable program requirement for all low-rent public housing.

<sup>3</sup> Sec. 208(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 504, added subsection (g).



purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship.

#### PENALTIES

SEC. 24.<sup>1</sup> All general penal statutes relating to the larceny, embezzlement, or conversion or to the improper handling, retention, use, or disposal of public moneys or property of the United States shall apply to the moneys and property of the Authority and to moneys and properties of the United States entrusted to the Authority.

SEC. 25. Repealed.<sup>2</sup>

SEC. 26. Repealed.<sup>2</sup>

SEC. 27. Repealed.<sup>2</sup>

SEC. 28. Wherever the application of the provisions of this Act conflicts with the application of the provisions of Public Numbered 837, approved June 29, 1936 (49 Stat. 2025), Public Numbered 845, approved June 29, 1936 (49 Stat. 2035), or any other Act of the United States dealing with housing or slum clearance, or any Executive order, regulation, or other order thereunder, the provisions of this Act shall prevail.

SEC. 29. The President is hereby authorized to make available to the Alley Dwelling Authority,<sup>3</sup> from any funds appropriated or otherwise provided to carry out the purposes of this Act, such sums as he deems necessary to carry out the purposes of the District of Columbia Alley Dwelling Act, approved June 12, 1934 (Public Numbered 307, Seventy-third Congress). Such sums shall be deposited in the Conversion of Inhabited Alleys Fund and thereafter shall remain immediately available for the purposes of the District of Columbia Alley Dwelling Act.

SEC. 30. Notwithstanding any other evidences of the intention of Congress, it is hereby declared to be the controlling intent of Congress that if any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of this Act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SEC. 31. This Act may be cited as the "United States Housing Act of 1937."

Approved September 1, 1937.

<sup>1</sup> Redesignated as sec. 24 by sec. 103(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 455. The former sec. 24 was repealed by Public Law 772, 80th Congress, approved June 25, 1948, 62 Stat. 683. See footnote below concerning repeal of secs. 25, 26, and 27 which is also applicable to the former sec. 24.

<sup>2</sup> Repealed by Public Law 772, 80th Congress, approved June 25, 1948, 62 Stat. 683, secs. 25, 26, and 27 defined criminal acts and provided the penalties therefor relating to the low-rent public housing program. Public Law 772 revised and codified these provisions. See title 18, United States Code (1946 ed. Supp. III), secs. 641, 709, and 1012 for the criminal provisions formerly set forth in secs. 25 through 27.

<sup>3</sup> Executive Order 9344, dated May 21, 1943, changed the name of the Alley Dwelling Authority to the National Capital Housing Authority.



## CONVERSION OF STATE PROJECTS TO PUBLIC HOUSING

### EXCERPT FROM HOUSING ACT OF 1949

[Public Law 171, 81st Cong., 63 Stat. 413, 440]

SEC. 606. Any low-rent or veterans' housing project undertaken or constructed under a program of a State or any political subdivision thereof shall be approved as a low-rent housing project under the terms of the United States Housing Act of 1937,<sup>1</sup> as amended, if (a) a contract for State financial assistance for such project was entered into on or after January 1, 1948, and prior to January 1, 1950, (b) the project is or can become eligible for assistance by the Public Housing Administration in the form of loans and annual contributions under the provisions of the United States Housing Act of 1937, as amended, and (c) the public housing agency operating the project in the State makes application to the Public Housing Administration for Federal assistance for the project under the terms of the United States Housing Act of 1937, as amended: *Provided*, That loans made by the Public Housing Administration for the purpose of so converting the project to a project with Federal assistance shall be deemed, for the purposes of the provisions of section 9 and other sections of the United States Housing Act of 1937, to be loans to assist the development of the project. Section 503 of the Housing Act of 1948<sup>1</sup> is hereby repealed.

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Approved July 15, 1949.

## RESTRICTIONS IN APPROPRIATION ACTS

### RESTRICTIONS IN INDEPENDENT OFFICES APPROPRIATION ACT, 1952

[Public Law 137, 82d Cong., 65 Stat. 268]

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#### PUBLIC HOUSING ADMINISTRATION

Annual contributions: For the payment of annual contributions to public housing agencies in accordance with section 10 of the United States Housing Act of 1937, as amended (42 U.S.C. 1410), \$10,000,000:

<sup>1</sup> Sec. 503 of the Housing Act of 1948 provided as follows:

"SEC. 503. Any low-rent or veterans' housing project undertaken or constructed under a program of a State or any political subdivision thereof and with the express purpose indicated in the State legislation of converting the project to a project with Federal assistance (if and when such Federal assistance becomes available), shall be approved as a low-rent housing project under the terms of the United States Housing Act of 1937, as amended, if (a) a contract for State financial assistance for such project was entered into prior to January 1, 1949, (b) the project is or can become eligible for assistance by the Public Housing Administration in the form of loans and annual contributions under the provisions of the United States Housing Act of 1937, as amended, and (c) the State or the public housing agency operating the project in the State makes application to the Public Housing Administration for Federal assistance for the project under the terms of the United States Housing Act of 1937, as amended: *Provided*, That loans made by the Public Housing Administration for the purposes of so converting the project to a project with Federal assistance shall be deemed for the purposes of the provisions of section 9 and other sections of the United States Housing Act of 1937, to be loans to assist the development of the project."

## LOW-RENT PUBLIC HOUSING—HUD

*Provided*, That except for payments required on contracts entered into prior to April 18, 1940, no part of this appropriation shall be available for payment to any public housing agency for expenditure in connection with any low-rent housing project, unless the public housing agency shall have adopted regulations prohibiting as a tenant of any such project by rental or occupancy any person other than a citizen of the United States, but such prohibition shall not be applicable in the case of a family of any serviceman or the family of any veteran who has been discharged (other than dishonorably) from, or the family of any serviceman who died in, the Armed Forces of the United States within four years prior to the date of application for admission to such housing: *Provided further*, That all expenditures of this appropriation shall be subject to audit and final settlement by the Comptroller General of the United States under the provisions of the Budget and Accounting Act of 1921, as amended: *Provided further*, That notwithstanding the provisions of the United States Housing Act of 1937, as amended, the Public Housing Administration shall not, with respect to projects initiated after March 1, 1949, authorize during the fiscal year 1952 the commencement of construction of in excess of fifty thousand dwelling units: *Provided further*,<sup>1</sup> That the Public Housing Administration shall not, after the date of approval of this Act, authorize the construction of any projects initiated before or after March 1, 1949, in any locality in which such projects have been or may hereafter be rejected by the governing body of the locality or by public vote, unless such projects have been subsequently approved by the same procedure through which such rejection was expressed.

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Approved August 31, 1951.

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## RESTRICTIONS IN INDEPENDENT OFFICES APPROPRIATION ACT OF 1953

[Public Law 455, 83d Cong., 66 Stat. 393, 403]

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### HOUSING AND HOME FINANCE AGENCY

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#### PUBLIC HOUSING ADMINISTRATION

Annual contributions: For the payment of annual contributions to public housing agencies in accordance with section 10 of the United States Housing Act of 1937, as amended (42 U.S.C. 1410), \$29,880,000: *Provided*, That except for payments required on contracts entered into prior to April 18, 1940, no part of this appropriation shall be available for payment to any public housing agency for expenditure in connection with any low-rent housing project, unless the public housing

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<sup>1</sup> This proviso is the so-called "Roanoke amendment." The Comptroller General's decision B-129759, dated November 28, 1956, held that this proviso had been superseded by the "Phillips" proviso (see "Restrictions in Independent Offices Appropriation Act, 1954,"). As a result of this decision, a project rejected locally, such as by a referendum, need no longer be approved subsequently by the same procedure by which it was rejected. It can only be approved subsequently by the governing body.

agency shall have adopted regulations prohibiting as a tenant of any such project by rental or occupancy any person other than a citizen of the United States, but such prohibition shall not be applicable in the case of a family of any serviceman or the family of any veteran who has been discharged (other than dishonorably) from, or the family of any serviceman who died in, the Armed Forces of the United States within four years prior to the date of application for admission to such housing: *Provided further*, That all expenditures of this appropriation shall be subject to audit and final settlement by the Comptroller General of the United States under the provisions of the Budget and Accounting Act of 1921, as amended: *Provided further*, That notwithstanding the provisions of the United States Housing Act of 1937, as amended, the Public Housing Administration shall not, with respect to projects initiated after March 1, 1949, (1) authorize during the fiscal year 1953 the commencement of construction of in excess of thirty-five thousand dwelling units, or (2)<sup>1</sup> after the date of approval of this Act, enter into any agreement, contract, or other arrangement which will bind the Public Housing Administration with respect to loans, annual contributions, or authorizations for commencement of construction, for dwelling units aggregating in excess of thirty-five thousand to be authorized for commencement of construction during any one fiscal year subsequent to the fiscal year 1953, unless a greater number of units is hereafter authorized by the Congress: *Provided further*,<sup>2</sup> That the Public Housing Administration shall not, after the date of approval of this Act, authorize the construction of any projects initiated before or after March 1, 1949, in any locality in which such projects have been or may hereafter be rejected by the governing body of the locality or by public vote, unless such projects have been subsequently approved by the same procedure through which such rejection was expressed: *Provided further*, That no housing unit constructed under the United States Housing Act of 1937, as amended, shall be occupied by a person who is a member of an organization designated as subversive by the Attorney General: *Provided further*, That the foregoing prohibition shall be enforced by the local housing authority, and that such prohibition shall not impair or affect the powers or obligations of the Public Housing Administration with respect to the making of loans and annual contributions under the United States Housing Act of 1937, as amended.

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Approved July 5, 1952.

## RESTRICTIONS IN THE SUPPLEMENTAL APPROPRIATION ACT, 1953

[Public Law 547, 82d Cong., 66 Stat. 637, 644]

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<sup>1</sup> Clause 2 repealed by sec. 401(b) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1103.

<sup>2</sup> This proviso is the so-called "Roanoke amendment" originally enacted in the Independent Offices Appropriation Act, 1952 (see supra). The Comptroller General's decision B-129759, dated November 28, 1956, held that this proviso had been superseded by the "Phillips" proviso (see infra). As a result of this decision, a project rejected locally, such as by a referendum, need no longer be approved subsequently by the same procedure by which it was rejected. It can only be approved subsequently by the governing body.



LOW-RENT PUBLIC HOUSING—HUD  
HOUSING AND HOME FINANCE AGENCY  
OFFICE OF THE ADMINISTRATOR

DEFENSE HOUSING

For an additional amount for "Defense housing" including not to exceed \$1,433,735 for administrative expenses of the Public Housing Administration in connection with construction of housing under such appropriation, \$50,000,000, to remain available until expended: *Provided*, That the funds hereby appropriated shall not be available in excess of the amount now or hereafter authorized to be appropriated to the Housing and Home Finance Agency for defense housing by title III of the Defense Housing and Community Facilities and Services Act of 1951: *Provided further*, That no part of the foregoing appropriation shall be used for the construction of any project unless funds are available for the completion of such project. No<sup>1</sup> part of this appropriation may be used for administrative expenses or to pay salaries to any employee within the Public Housing Administration or for any other purpose so long as that agency proceeds with any public housing project after such project has been rejected or previous approval thereof canceled by the governing body of the locality by resolution or otherwise or by public vote and the governing body has tendered the United States full reimbursement of Federal funds advanced on such project prior to such cancellation and a release from all obligations incurred under such project.

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Approved July 15, 1952.

RESTRICTIONS IN THE FIRST INDEPENDENT OFFICES  
APPROPRIATION ACT, 1954

[Public Law 176, 83d Cong., 67 Stat. 298, 306]

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PUBLIC HOUSING ADMINISTRATION

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Annual contributions: For the payment of annual contributions to public housing agencies in accordance with section 10 of the United States Housing Act of 1937, as amended (42 U.S.C. 1410), \$32,500,000: *Provided*, That except for payments required on contracts entered into prior to April 18, 1940, no part of this appropriation shall be available for payment to any public housing agency for expenditure in connection with any low-rent housing project, unless the public housing agency shall have adopted regulations prohibiting as a tenant of any such project by rental or occupancy any person other than a citizen of the United States, but such prohibition shall not be applicable in the case of a family of any serviceman or the family of any veteran who has been discharged (other than dishonorably) from, or the family of any serviceman who died in, the Armed

<sup>1</sup> This sentence constitutes the so-called "McDonough Amendment."

Forces of the United States within four years prior to the date of application for admission to such housing: *Provided further*, That all expenditures of this appropriation shall be subject to audit and final settlement by the Comptroller General of the United States under the provisions of the Budget and Accounting Act of 1921, as amended: *Provided further*,<sup>1</sup> That unless the governing body of the locality agrees to its completion, no housing shall be authorized by the Public Housing Administration, or, if under construction continue to be constructed, in any community where the people of that community, by their duly elected representatives, or by referendum, have indicated they do not want it, and such community shall negotiate with the Federal Government for the completion of such housing, or its abandonment, in whole or in part, and shall agree to repay the Government the moneys expended prior to the vote or other formal action whereby the community rejected such housing project for any such projects not to be completed plus such amount as may be required to pay all costs and liquidate all obligations lawfully incurred by the local housing authority prior to such rejection in connection with any project not to be completed: *Provided further*,<sup>1</sup> That, in any case where the Public Housing Administration (after the approvals on the part of the governing body of the locality required by law) has entered into a financial assistance contract with a local housing authority covering any low-rent housing projects to be constructed in such locality and, (a) thereafter but prior to the effective date of this Act, a majority of the members of the governing body of the locality, and the people of the locality have voted against any such low-rent housing projects, and (b) the local housing authority and the governing body of the locality agree to a modification of the agreement providing the required local cooperation in connection with such low-rent housing projects, the preceding proviso shall not be applicable and: (1) the Public Housing Administration shall not, unless the governing body of the locality shall, by resolution, request such action, (a) authorize the award of any contract for the construction of any such low-rent housing project, or (b) make any further advance of funds on account of any such project for which the main construction contract has not heretofore been awarded, excepting only such funds as may be required by the local housing authority (i) to pay all costs and liquidate all obligations heretofore properly incurred by it in connection with any such project which pursuant to such modification is to be terminated and (ii) to pay costs in connection with the liquidation (including the sale of land or other assets) of any such terminated project; (2) in the liquidation of any such terminated project no claim shall be made by the local housing authority or the Public Housing Administration against the locality or its governing body on account of such termination; (3) the Public Housing Administration shall absorb as a loss, and shall release the local housing authority from, all claims, if any, of said Administration in connection with such terminated project in excess of the net amount realized from the sale by the local housing authority of all land (which if sold to other than a public agency shall be after public advertisement to the highest responsible bidder but if sold to a public agency may be at a price equal to the purchase price of the land, exclusive of improvements, as approved by

<sup>1</sup> The so-called "Los Angeles Amendment" or "Phillips Amendment."

the Public Housing Commissioner) and other assets acquired and held in connection with such terminated project; and (4) the Secretary of the Treasury shall credit as a payment upon the note or notes of the Public Housing Administration executed and delivered in connection with funds obtained pursuant to section 20 of the United States Housing Act of 1937, as amended, an amount equal to such loss as certified by the Public Housing Commissioner: *Provided further*, That the record of expenditure of the Public Housing Administration and of the local housing authority on any public housing project shall be open to examination by the responsible authorities of any community in which such project is located, or by the local public housing authority, or by any firm of public accountants retained by either of the foregoing: *Provided further*,<sup>1</sup> That no housing unit constructed under the United States Housing Act of 1937, as amended, shall be occupied by a person who is a member of an organization designated as subversive by the Attorney General: *Provided further*, That the foregoing prohibition shall be enforced by the local housing authority, and that such prohibition shall not impair or affect the powers or obligations of the Public Housing Administration with respect to the making of loans and annual contributions under the United States Housing Act of 1937, as amended.<sup>1</sup>

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Approved July 31, 1953.

## LOW-INCOME HOUSING DEMONSTRATIONS [REPEALED]

### EXCERPT FROM HOUSING ACT OF 1961

[Public Law 87-70, 75 Stat. 149, 165; 42 U.S.C. 1436]

#### DEMONSTRATION PROGRAMS

SEC. 207.<sup>2</sup> Repealed. The Secretary of Housing and Urban Development is authorized to enter into contracts to make grants, not exceeding \$15,000,000, to public or private bodies or agencies, subject to such terms and conditions as he shall prescribe, for the purposes of developing and demonstrating new or improved means, including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities, of providing housing for low income persons and families, and of demonstrating the types of housing and the means of providing housing that will assist low income persons or families who qualify as handicapped families as defined in section 202 of the Housing Act of 1959. Advances and progress payments may be made, under any contract to make grants under this section, without regard to the provisions of section 3648 of the Revised Statutes.

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Approved June 30, 1961.

<sup>1</sup> The so-called "Gwinn amendment." The Attorney General of the United States on April 28, 1956, held that the "Gwinn amendment" had expired.

<sup>2</sup> Repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1785. However, sec. 503, Housing and Urban Development Act of 1970, provides that such repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).



\* \* \* \* \*

Section 8 Housing for Large Families<sup>1</sup>

[42 U.S.C. 1437f]

SEC. 208. (a) The Secretary of Housing and Urban Development shall conduct a study for the purpose of examining alternative means of encouraging the development of housing to be assisted under section 8 of the United States Housing Act of 1937 for occupancy by large families which reside in areas with a low-vacancy rate in rental housing.

(b) The Secretary shall report to the Congress no later than one year after the date of enactment of this Act, for the purpose of providing legislative recommendations with respect to the study described in subsection (a).

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<sup>1</sup> Added by Housing and Community Development Amendments of 1978, Sec. 208, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

## OTHER HUD HOUSING ASSISTANCE PROGRAMS

### EXCERPTS FROM EMERGENCY HOUSING ACT OF 1975

[Public Law 94-50, 89 Stat. 249]

AN ACT To authorize temporary assistance to help defray mortgage payments on homes owned by persons who are temporarily unemployed or underemployed as the result of adverse economic conditions

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SHORT TITLE

SECTION 1. That this Act may be cited as the "Emergency Housing Act of 1975".

### TITLE I—EMERGENCY MORTGAGE RELIEF

#### SHORT TITLE

SEC. 101. This title may be cited as the "Emergency Homeowners' Relief Act."

#### FINDINGS AND PURPOSE

SEC. 102. (a) The Congress finds that—

(1) the Nation is in a severe recession and that the sharp downturn in economic activity has driven large numbers of workers into unemployment and has reduced the incomes of many others;

(2) as a result of these adverse economic conditions the capacity of many homeowners to continue to make mortgage payments has deteriorated and may further deteriorate in the months ahead, leading to the possibility of widespread mortgage foreclosures and distress sales of homes; and

(3) many of these homeowners could retain their homes with temporary financial assistance until economic conditions improve.

(b) It is the purpose of this title to provide a standby authority which will prevent widespread mortgage foreclosures and distress sales of homes resulting from the temporary loss of employment and income through a program of emergency loans and advances and emergency mortgage relief payments to homeowners to defray mortgage expenses.

#### MORTGAGES ELIGIBLE FOR ASSISTANCE

SEC. 103. No assistance shall be extended with respect to any mortgage under this title unless—

(1) the holder of the mortgage has indicated to the mortgagor its intention to foreclose;

(2) the mortgagor and holder of the mortgage have indicated in writing to the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") and to any agency or department of the Federal Government responsible for the regulation of the holder that circumstances (such as the volume of delinquent loans in its portfolio) make it probable that there will be a foreclosure and that the mortgagor is in need of emergency mortgage relief as authorized by this title, except that such statement by the holder of the mortgage may be waived by the Secretary if in his judgment such waiver would further the purposes of this title;

(3) payments under the mortgage have been delinquent for at least three months.

(4) the mortgagor has incurred a substantial reduction in income as a result of involuntary unemployment or underemployment due to adverse economic conditions and is financially unable to make full mortgage payments;

(5) there is a reasonable prospect that the mortgagor will be able to make the adjustments necessary for a full resumption of mortgage payments; and

(6) the mortgaged property is the principal residence of the mortgagor.

#### LIMITS OF ASSISTANCE

SEC. 104. (a) Assistance under this title with respect to a mortgage which meets the requirements of section 103 may be provided in the form of emergency mortgage relief loans and advances of credit insured pursuant to section 105 or in the form of emergency mortgage relief payments made by the Secretary pursuant to section 106.

(b) Assistance under this title on behalf of a homeowner may be made available in an amount up to the amount of the principal, interest, taxes, ground rents, hazard insurance, and mortgage insurance premiums due under the homeowner's mortgage, but such assistance shall not exceed the lesser of \$250 per month or the amount determined to be reasonably necessary to supplement such amount as the homeowner is capable of contributing toward such mortgage payment.

(c) Monthly payments may be provided under this title either with the proceeds of an insured loan or advance of credit or with emergency mortgage relief payments for up to twelve months, and, in accordance with criteria prescribed by the Secretary, such monthly payments may be extended once for up to twelve additional months. A mortgagor receiving the benefit of mortgage relief assistance pursuant to this title shall be required, in accordance with criteria prescribed by the Secretary, to report any increase in income which will permit a reduction or termination of such assistance during this period.

(d) Emergency loans or advances of credit made and insured under section 105, and emergency mortgage relief payments made under section 106, shall be repayable by the homeowner upon such terms and conditions as the Secretary shall prescribe, except that interest on a loan or advance of credit insured under section 105 or emergency mortgage relief payments made under section 106 shall not be charged at a



rate which exceeds the maximum interest rate applicable with respect to mortgages insured pursuant to section 203(b) of the National Housing Act.

(e) The Secretary may provide for the deferral of the commencement of the repayment of a loan or advance insured under section 105 or emergency mortgage relief payments made under section 106 until one year following the date of the last disbursement of the proceeds of the loan or advance or payments or for such longer period as the Secretary determines would further the purpose of this title. The Secretary shall by regulation require such security for the repayment of insured loans or advances of credit or emergency mortgage relief payments as he deems appropriate and may require that such repayment be secured by a lien on the mortgaged property.

#### EMERGENCY MORTGAGE RELIEF LOANS AND ADVANCES

SEC. 105. (a) The Secretary is authorized, upon such terms and conditions as the Secretary may prescribe, to insure banks, trust companies, finance companies, mortgage companies, savings and loan associations, insurance companies, credit unions, and such other financial institutions, which the Secretary finds to be qualified by experience and facilities and approves as eligible for insurance, against losses which they may sustain as a result of emergency loans or advances of credit made in accordance with the provisions of section 104 and this section with respect to mortgages eligible for assistance under this title.

(b) In no case shall the insurance granted by the Secretary under this section to any financial institution on loans and advances made by such financial institution for the purposes of this title exceed 40 per centum of the total amount of such loans and advances made by the institution, except that, with respect to any individual loan or advance of credit, the amount of any claim for loss on such individual loan or advance of credit paid by the Secretary under the provision of this section shall not exceed 90 per centum of such loss.

(c) The Secretary is authorized to fix a premium charge or charges for the insurance granted under this section, but in the case of any loan or advance of credit, such charge or charges shall not exceed an amount equivalent to one-half of 1 per centum per annum of the principal obligation of such loan or advance of credit outstanding at any time.

(d) The Secretary is authorized and empowered to waive compliance with any rule or regulation prescribed by the Secretary for the purposes of this section if, in the Secretary's judgment, the enforcement of such rule or regulation would impose an injustice upon an insured lending institution which has substantially complied with such regulations in good faith. Any payment for loss made to an insured financial institution under this section shall be final and incontestable after two years from the date the claim was certified for payment by the Secretary, in the absence of fraud or misrepresentation on the part of such institution unless a demand for repurchase of the obligation shall have been made on behalf of the United States prior to the expiration of such two-year period. The Secretary is authorized to transfer to any financial institution approved for insurance under this title any insurance in connection with any loan which may be sold to it by another insured financial institution.

(e) The aggregate amount of loans and advances insured under this section shall not exceed \$1,500,000,000 at any one time.

#### EMERGENCY MORTGAGE RELIEF PAYMENTS

SEC. 106. (a) In the case of any mortgagee which would otherwise be eligible to participate in the program authorized under section 105 but does not qualify for an advance or advances as authorized by section 113 of this title or under section 10, 10b, or 11 of the Federal Home Loan Bank Act or otherwise elects not to participate in the program authorized under section 105, the Secretary is authorized to make repayable emergency mortgage relief payments directly to such mortgagee on behalf of homeowners whose mortgages are held by such financial institution and who are delinquent in their mortgage payments.

(b) Emergency mortgage relief payments shall be made under this section only with respect to a mortgage which meets the requirements of section 103 and only on such terms and conditions as the Secretary may prescribe, subject to the provisions of section 104.

(c) The Secretary may make such delegations and accept such certifications with respect to the processing of mortgage relief payments provided under this section as he deems appropriate to facilitate the prompt and efficient implementation of the assistance authorized under this section.

#### EMERGENCY HOMEOWNERS' RELIEF FUND

SEC. 107. (a) (1) To carry out the purposes of this title, the Secretary is authorized to establish in the Treasury of the United States an Emergency Homeowners' Relief Fund (hereinafter in this title referred to as the "fund") which shall be available to the Secretary without fiscal year limitation—

(A) for making payments in connection with defaulted loans or advances of credit insured under section 105 of this title;

(B) for making emergency mortgage relief payments under section 106 of this title;

(C) to pay such administrative expenses (or portion of such expenses) of carrying out the provisions of this title as the Secretary may deem necessary.

(2) The fund shall be credited with—

(A) all amounts received by the Secretary as premium charges for insurance or as repayment for emergency mortgage relief payments under this title and all receipts, earnings, collections, or proceeds derived from any claim or other assets acquired by the Secretary under this Act; and

(B) such amounts as may be appropriated for the purposes of this title.

#### AUTHORITY OF THE SECRETARY

SEC. 108. (a) The Secretary is authorized to make such rules and regulations as may be necessary to carry out the provisions of this title.

(b) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real or other property by the United States, the Secretary shall have power, for the prop-

tection of the interest of the fund authorized under this title, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal of any property, real or personal, acquired by the Secretary as a result of recoveries under security, subrogation, or other rights.

(c) In the performance of, with respect to, the functions, powers, and duties vested in the Secretary by this title, the Secretary shall—

(1) have the power, notwithstanding any other provision of law, whether before or after default, to provide by contract or otherwise for the extinguishment upon default of any redemption, equitable, legal, or other right, title in any mortgage, deed, trust, or other instrument held by or held on behalf of the Secretary under the provisions of this title; and

(2) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon the Secretary by law, contract, or other agreement, and bid for and purchase at any foreclosure or other sale any property in connection with which assistance has been provided pursuant to this title. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, remodel and convert, dispose of, lease, and otherwise deal with, such property. Notwithstanding any other provision of law, the Secretary also shall have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this title.

#### AUTHORIZATION AND EXPIRATION DATE

SEC. 109. (a) There are authorized to be appropriated for purposes of this title such sums as may be necessary, except that the funds authorized to be appropriated for section 106 shall not exceed \$500,000,000. Any amounts so appropriated shall remain available until expended.

(b) No loans or advance of credit shall be insured and no emergency mortgage relief payments made under this title after September 30, 1977,<sup>1</sup> except if such loan or advance or such payments are made with respect to a mortgagor receiving the benefit of a loan or advance insured, or emergency mortgage relief payments made, under this title on such date.

#### NOTIFICATION

SEC. 110. (a) Each<sup>2</sup> Federal supervisory agency with respect to financial institutions subject to its jurisdiction, and the Secretary, with respect to other approved mortgagees, shall (1) prior to October 1, 1977,<sup>3</sup> take appropriate action, not inconsistent with laws relating to

<sup>1</sup> Sec. 13(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 109(b) of the Emergency Homeowners' Relief Act by striking "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

<sup>2</sup> Sec. 13(b)(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 110(a) of the Emergency Homeowners' Relief Act by striking "Until one year from the date of enactment of this title, each" and inserting in lieu thereof "Each".

<sup>3</sup> Sec. 13(b)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 110(a) of the Emergency Homeowners' Relief Act by inserting "prior to October 1, 1977" immediately after "(1)".



the safety or soundness of such institutions or mortgagee, as the case may be, to waive or relax limitations pertaining to the operations of such institutions or mortgagees with respect to mortgage delinquencies in order to cause or encourage forbearance in residential mortgage loan foreclosures, and (2) until one year from the date of enactment of this title,<sup>1</sup> request each such institution or mortgagee to notify that Federal supervisory agency, the Secretary, and the mortgagee, at least thirty days prior to instituting foreclosure proceedings in connection with any mortgage loan. As used in this title the term "Federal supervisory agency" means the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration.

#### REPORTS

SEC. 111. Within sixty days after enactment of this title and within each sixty-day period thereafter prior to October 1, 1977,<sup>2</sup> the Secretary shall make a report to the Congress on (1) the current rate of delinquencies and foreclosures in the housing market areas of the country which should be of immediate concern if the purposes of this title is to be achieved; (2) the extent of, and prospect for continuance of, voluntary forbearance by mortgagees in such housing market areas; (3) actions being taken by governmental agencies to encourage forbearance by mortgagees in such housing market areas; (4) actions taken and actions likely to be taken with respect to making assistance under this title available to alleviate hardships resulting from any serious rates of delinquencies and foreclosures; and (5) the current default status and projected default trends with respect to mortgages covering multifamily properties with special attention to mortgages insured under the various provisions of the National Housing Act and with recommendations on how such defaults and prospective defaults may be cured or avoided in a manner which, while giving weight to the financial interests of the United States, takes into full consideration the urgent needs of the many low- and moderate-income families that currently occupy such multifamily properties.

#### NONAPPLICABILITY OF OTHER LAWS

SEC. 112. Notwithstanding any provision of law which limits the nature, amount, term, form, or rate of interest, or the nature, amount, or form of security of loans or advances of credit, loans, or advances of credit may be made in accordance with the provisions of this title without regard to such provision of law.

<sup>1</sup> Sec. 13(b)(3) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 110(a) of the Emergency Homeowners' Relief Act by inserting "until one year from the date of enactment of this title," immediately after "(2)".

<sup>2</sup> Sec. 13(c) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 111 of the Emergency Homeowners' Relief Act by striking "July 1, 1976" and inserting in lieu thereof "October 1, 1977".

## FEDERAL DEPOSIT INSURANCE CORPORATION ADVANCES

SEC. 113. Notwithstanding any other provision of law, the Federal Deposit Insurance Corporation is authorized, upon such terms and conditions as the Corporation may prescribe, to make such advances to any insured bank as the Corporation determines may be necessary or appropriate to facilitate participation by such bank in the program authorized by this title. For the purpose of obtaining such funds as it determines are necessary for such advances, the Corporation may borrow from the Treasury as authorized in section 14 of the Federal Deposit Insurance Act (12 U.S.C. 1824; 64 Stat. 890), and the Secretary of the Treasury is authorized and directed to make loans to the Corporation for such purpose in the same manner as loans may be made for insurance purposes under such section, subject to the maximum limitation on outstanding aggregate loans there provided.

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Approved July 2, 1975.





## EXCERPTS FROM THE HOUSING ACT OF 1959

[Public Law 86-372, 73 Stat. 654, 667, 12 U.S.C. 1701q]

TITLE II—HOUSING FOR THE ELDERLY OR  
HANDICAPPED<sup>1</sup>

\* \* \* \* \*

## LOAN PROGRAM

SEC. 202. (a) (1) The purpose of this section is to assist private non-profit corporations, limited profit sponsors,<sup>2</sup> consumer cooperatives, or public bodies or agencies<sup>3</sup> to provide housing and related facilities for elderly or handicapped families.

(2)<sup>4</sup> In order to carry out the purpose of this section, the Secretary<sup>5</sup> may make loans to any corporation (as defined in subsection (d) (2)), to any limited profit sponsor approved by the Secretary, to any consumer cooperatives, or to any public body or agency for the provision of rental or cooperative housing related facilities for elderly or handicapped families, except that (A) no such loan shall be made unless the applicant shows that it is unable to secure the necessary funds from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this section, (B) no such loan shall be made unless the Secretary finds that the construction will be undertaken in an economical manner and that it will not be of elaborate or extravagant design or materials, and (C) no such loan shall be made to a public body or agency unless it certifies that it is not receiving financial assistance from the United States exclusively pursuant to the United States Housing Act of 1937.

<sup>1</sup> Sec. 203, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 783, 784, amended the program of loans for housing for the elderly (and also the FHA secs. 221 and 231 mortgage insurance programs, the PHA low-rent public housing program, and the demonstration grant programs for low-income housing) to include handicapped persons and families.

<sup>2</sup> Sec. 1706(1), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 605, added "limited profit sponsors".

<sup>3</sup> Sec. 201(a) (1), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 162, added "consumer cooperatives, or public bodies or agencies".

<sup>4</sup> Immediately prior to amendment by sec. 201(a) (2), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 162, this subsection read as follows:

"In order to carry out the purpose of this section, the Administrator may make loans to any corporation (as defined in subsection (d) (2)) for the provision of rental housing and related facilities for elderly families and elderly persons, except that (A) no such loan shall be made unless the corporation shows that it is unable to secure the necessary funds from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this section, and (B) no such loan shall be made unless the Administrator finds that the construction will be undertaken in an economical manner, and that it will not be of elaborate or extravagant design or materials."

See provisions for refinancing in sec. 201(d), Housing and Urban Development Act of 1968.

<sup>5</sup> Sec. 16, Public Law 90-19, approved May 25, 1967, 81 Stat. 17, 25, substituted "Secretary" for "Administrator" throughout this section in order to make it conform to the Department of Housing and Urban Development Act, which placed all the functions of the Housing and Home Finance Administrator in the Secretary of Housing and Urban Development.

(3) A loan <sup>1</sup> under this section may be in an amount not exceeding <sup>2</sup> the total development cost (as defined in subsection (d) (3)), as determined by the Secretary, except <sup>3</sup> that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost; shall be secured in such manner and be repaid within such period, not exceeding fifty years, as may be determined by him; which is not more than a rate determined by the Secretary of the Treasury taking into consideration the <sup>4</sup> average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made adjusted to the nearest one-eighth of 1 per centum, plus an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses under the program.<sup>5</sup>

(4) (A) <sup>6</sup> There is authorized to be appropriated for the purposes of this section not to exceed \$500,000,000, which amount shall be increased by \$150,000,000 <sup>7</sup> on July 1, 1969. Amounts so appropriated, and the proceeds from notes or other obligations issued under subparagraph (B),<sup>8</sup> shall constitute a revolving fund to be used by the Secretary in carrying out this section.<sup>9</sup>

(B) (i) To carry out the purposes of this section, the Secretary is authorized to issue to the Secretary of the Treasury notes or other obligations in an aggregate amount not to exceed \$1,475,000,000, which amount shall be increased to \$2,387,500,000 on October 1, 1977, and to \$3,300,000,000 on October 1, 1978 <sup>10</sup> in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by

<sup>1</sup> Sec. 201(a) (3), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, deleted "to a corporation".

<sup>2</sup> Sec. 201(b), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, deleted "98 per centum of".

<sup>3</sup> Sec. 1706, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 605, inserted "except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

<sup>4</sup> Sec. 11(c) (1) of the Housing Authorization Act of 1976, Public Law 94-375 approved August 3, 1976, 90 Stat. 1067, amended section 202(a) (3) of the National Housing Act to read as set forth in the text.

<sup>5</sup> Sec. 210(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended section 202(a) (3).

<sup>6</sup> Sec. 210(d) (1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted "(A)" after "(4)".

<sup>7</sup> Sec. 201(c), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, substituted "\$125,000,000" for "\$50,000,000", sec. 3(a) of the Senior Citizens Housing Act of 1962, Public Law 87-723, approved September 28, 1962, 76 Stat. 670, substituted "\$250,000,000" for "\$125,000,000", Public Law 88-158, approved October 24, 1963, 77 Stat. 278, substituted "\$275,000,000" for "\$225,000,000", sec. 201, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 783, substituted "\$350,000,000" for "\$275,000,000", and sec. 105(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 457, substituted "\$500,000,000" for "\$350,000,000". Sec. 218, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 390, increased the authorization by \$150,000,000 on July 1, 1969.

See authorizations for sales of participations in loans for housing for the elderly contained in appropriation acts.

<sup>8</sup> Sec. 210 Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "and the proceeds from notes or other obligations issued under subparagraph (B)".

<sup>9</sup> Sec. 201(c), Housing Act of 1961, Public Law 87-70 approved June 30, 1961, 75 Stat. 149, 163, deleted the sentence following which read: "The amount outstanding from such fund at any one time for related facilities (as defined in subsection (d) (8) shall not exceed \$5,000,000."

<sup>10</sup> Sec. 11(a) (1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 202(a) (4) (B) (i) of the Housing Act of 1959, by deleting "\$800,000,000" and inserting in lieu thereof "\$1,475,000,000, which amount shall be increased to \$2,387,500,000 on October 1, 1977, and to \$3,300,000,000 on October 1, 1978".



the Secretary of the Treasury, taking into consideration<sup>1</sup> the average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act; and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. The<sup>2</sup> Secretary may not issue notes or other obligations to the Secretary of the Treasury pursuant to this section in an aggregate amount exceeding \$800,000,000 except as approved in appropriation Acts.

(ii) The receipts and disbursements of the fund shall not be included in the total of the Budget of the United States Government and shall be exempt from any limitation on annual expenditure or net lending.

(C) Amounts in the fund shall be available to the Secretary for the purpose of making loans under this section and for paying interest on obligations issued under subparagraph (B). The aggregate loans made under this section shall not exceed the limits on such lending authority established in appropriation Acts.<sup>3</sup>

(5) To the maximum extent practicable, the Secretary shall use the services and facilities of the private mortgage industry in servicing mortgage loans made under this section.<sup>4</sup>

(b) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and the duties set forth in section 402 (except subsection (c) (2)) of the Housing Act of 1950.

(c) (1) Housing constructed with a loan made under this section shall not be used for transient or hotel purposes while such loan is outstanding.

(2) As used in paragraph (1), the term "transient or hotel purposes" shall have such meaning as may be prescribed by the Secretary, but rental for any period less than thirty days shall in any event constitute use for such purposes. The provisions of subsection (f) through (j) of section 513 of the National Housing Act (as added by section 132 of the Housing Act of 1954) shall apply in the case of violations of paragraph (1) as though the housing described in such subsection were multifamily housing (as defined in section 513(e) (2))

<sup>1</sup> Sec. 11(c) (2) of the Housing Authorization Act of 1976, Public Law 94-375 approved August 3, 1976, 90 Stat. 1067, amended section 202(a) (4) (B) (i) of the National Housing Act to read as set forth in the text.

<sup>2</sup> Sec. 11(a) (2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 202(a) (4) (B) (i) of the Housing Act of 1959 by adding new subparagraphs (B) and (C).

<sup>3</sup> Sec. 210(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, also amended sec. 202(a) of the Housing Act of 1959 by adding new subparagraph (B) and (C). Subparagraph (C) was further amended by Sec. 205(b), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 (1978).

<sup>4</sup> Sec. 210(e) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new paragraph (5).



of the National Housing Act) with respect to which a mortgage is insured under such Act.

(3) The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors and subcontractors in the construction of housing assisted under this section shall be paid wages at rates not less than those prevailing in the locality involved for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor in accordance with the Act of March 3, 1931, as amended (the Davis-Bacon Act); but the Secretary may waive the application of this paragraph in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of such housing, voluntarily donate their services without full compensation for the purposes of lowering the costs of construction and the Secretary determines that any amounts saved thereby are fully credited to the corporation, cooperative,<sup>1</sup> or public body or agency undertaking the construction.

(d) As used in this section—

(1) The term “housing” means structures suitable for dwelling use by elderly or handicapped families which are (A) new structures, or (B) provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for proposed dwelling use by such families.

(2)<sup>2</sup> The term “corporation” means any incorporated private institution or foundation—

(A) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual;

(B) which has a governing board (i) the membership of which is selected in a manner to assure that there is significant representation of the views of the community in which such project is located, and (ii) which is responsible for the operation of the housing project assisted under this section; and

(C) which is approved by the Secretary as to financial responsibility.

(3) The term “development cost” means cost of construction of housing and of other related facilities, the cost of movables necessary to the basic operation of the project as determined by the Secretary,<sup>3</sup> and of the land on which it is located, including necessary site improvement, which cost shall be determined without regard to mortgage limits applicable to housing projects subject to mortgages insured under section 231 of the National Housing Act.<sup>4</sup>

(4) The term “elderly or handicapped families” means<sup>5</sup> families which consist of two or more persons and the head of which (or his spouse) is sixty-two years of age or over or is handicapped, and such term also means a single person who is sixty-two years of age or over or is handicapped. A person shall be considered

<sup>1</sup> Sec. 201(a)(4), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, added “cooperative, or public body or agency”.

<sup>2</sup> Subsection (d) (2) was amended by Housing and Community Development Amendments of 1978, Sec. 202(d), P.L. 95-557, 92 Stat. 2080 (1978).

<sup>3</sup> This clause was added by Housing and Community Development Amendments of 1978, Sec. 202(c), P.L. 95-557, 92 Stat. 2080 (1978).

<sup>4</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended the language to read as set forth in the text.

<sup>5</sup> Immediately prior to amendment by sec. 203, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 784, the first sentence of this paragraph read as follows:

“The term ‘elderly families’ means families the head of which (or his spouse) is sixty-two years of age or over; and the term ‘elderly persons’ means persons who are sixty-two years of age or over”.

handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have an<sup>1</sup> impairment which (A) is expected to be of long-continued and indefinite duration, (B) substantially impedes his ability to live independently, and (C) is of such a nature that such ability could be improved by more suitable housing conditions. A person shall also be considered handicapped if such person is a developmentally disabled individual as defined in section 102(a)(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1970.<sup>2</sup> The Secretary shall prescribe such regulations as may be necessary to prevent abuses in determining, under the definitions contained in this paragraph, the eligibility of families and persons for admission to and occupancy of housing constructed with assistance under this section. Notwithstanding the preceding provisions of this paragraph, the term "elderly or handicapped families" includes two or more elderly or handicapped persons living together, one or more such persons living with another person who is determined (under regulations prescribed by the Secretary) to be essential to their care or well-being, and the surviving member or members of any family described in the first sentence of this paragraph who were living, in a unit assisted under this section, with the deceased member of the family at the time of his or her death.<sup>3</sup>

(5) The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States.

(6) The term "Secretary" means the Secretary of Housing and Urban Development.

(7) The term "construction" means erection of new structures or<sup>4</sup> rehabilitation, alteration, conversion, or improvement of existing structures.

(8) The term "related facilities" means<sup>5</sup> (A) new structures suitable for use by elderly or handicapped families residing in the project or in the area<sup>6</sup> as cafeterias or dining halls, community rooms or buildings, workshops, or infirmaries or other inpatient or outpatient health facilities, or other essential service facilities, and (B) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

(e)<sup>7</sup> Nothing in this section or in regulations promulgated under

<sup>1</sup> Sec. 210(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "an" for "a physical".

<sup>2</sup> Sec. 210(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, contained two technical errors: the date of the Developmental Disabilities Services and Facilities Construction Amendments was cited as 1950 instead of 1970 and section 102(a)(5) of those Amendments was cited as section 102(5).

<sup>3</sup> Sec. 11(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 202(d)(4) of the Housing Act of 1959, by adding a new last sentence.

<sup>4</sup> Sec. 203, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 784, added the remainder of this paragraph.

<sup>5</sup> Immediately prior to amendment by sec. 203, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 784, this paragraph read as follows:

"(8) The term 'related facilities' means new structures suitable for use as cafeterias or dining halls, community rooms or buildings, or infirmaries or other inpatient or outpatient health facilities, or for other essential service facilities."

<sup>6</sup> Sec. 210(f) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "residing in the project or in the area".

<sup>7</sup> Added by sec. 210(d), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 163, and amended by sec. 203, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 183, to include handicapped persons and families.

this section shall prevent a corporation or consumer cooperative from obtaining a loan under this section for the provision of housing and related facilities for elderly or handicapped families, notwithstanding the fact that such corporation or cooperative has theretofore obtained a commitment from the Federal Housing Administration for mortgage insurance under section 231 of the National Housing Act with respect to the housing involved, if (1) such corporation or cooperative is otherwise eligible for such loan under this section, (2) such commitment was obtained prior to the date of enactment of the Housing Act of 1961<sup>1</sup> and (3) the Secretary determines that the financing of such housing through a loan under this section rather than through mortgage insurance under such section 231 is necessary or desirable in order to avoid hardship for the elderly or handicapped families who are the prospective tenants of such housing.

(f) In carrying out the provisions of this section, the Secretary shall seek to assure, pursuant to applicable regulations, that housing and related facilities assisted under this section will be in appropriate support of, and supported by, applicable State and local plans which respond to Federal program requirements by providing an assured range of necessary services for individuals occupying such housing (which services may include, among others, health, continuing education, welfare, informational, recreational, homemaker, counseling, and referral services, transportation where necessary to facilitate access to social services, and services designed to encourage and assist recipients to use the services and facilities available to them), including plans approved by the Secretary of Health, Education, and Welfare pursuant to section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or pursuant to title III of the Older Americans Act of 1965.<sup>2</sup>

(g) In carrying out the provisions of this section and section 8 of the United States Housing Act of 1937, the Secretary shall issue and implement regulations, as soon as practicable after the date of enactment of Housing and Community Development Act of 1977, which shall provide that the processing of any application for a loan for a project under this section and the processing of any application for assistance under such section 8 with respect to housing units in the same such project shall be coordinated in an economical and efficient manner.<sup>3</sup>

(h) <sup>4</sup> Of the amounts made available in appropriation Acts for loans pursuant to subsection (a) (4) (C) for the fiscal year commencing on October 1, 1978, not less than \$50,000,000 shall be available for loans for the development of rental housing and related facilities specifically designed to meet the needs of handicapped (primarily non-elderly) persons. The Secretary shall take such steps as may be necessary to assure that—

(1) funds made available pursuant to this subsection will be used to support innovative methods of meeting the needs of handicapped persons by providing a variety of housing options, ranging from small group homes to independent living complexes; and

<sup>1</sup> June 30, 1961.

<sup>2</sup> Sec. 210(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added a new section "(f)".

<sup>3</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Section 202 by adding at the end thereof subsection (g).

<sup>4</sup> Section (h) was added by Housing and Community Development Amendments of 1978, Sec. 205(a), Public Law 95-557, 92 Stat. 2080 (1978).



(2) housing and related facilities assisted under this subsection will provide handicapped persons occupying units within such housing with an assured range of services specified under subsection (f) and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access by such persons to the community at large and to suitable employment opportunities within such community.

\* \* \* \* \*

Approved September 23, 1959.

#### EXCERPT FROM SECTION 210 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93-383, 88 Stat. 633]

\* \* \* \* \*

(g) (1) In determining the feasibility and marketability of a project under section 202 of the Housing Act of 1959, the Secretary shall consider the availability of monthly assistance payments pursuant to section 8 of the United States Housing Act of 1937 with respect to such a project.

(2) The Secretary shall insure that with the original approval of a project authorized pursuant to section 202 of the Housing Act of 1959, and thereafter at each annual revision of the assistance contract under section 8 of the United States Housing Act of 1937 with respect to such units in such project, the project will serve both low- and moderate-income families in a mix which he determines to be appropriate for the area and for viable operation of the project; except that the Secretary shall not permit maintenance or vacancies to await tenants of one income level where tenants of another income level are available.

\* \* \* \* \*

#### LOANS FOR HOUSING FOR THE ELDERLY—NEED FOR

##### EXCERPT FROM SENIOR CITIZENS HOUSING ACT OF 1962

[Public Law 87-723, 76 Stat. 670, 12 U.S.C. 1701r]

SEC. 2. The Congress finds that there is a large and growing need for suitable housing for older people both in urban and rural areas. Our older citizens face special problems in meeting their housing needs because of the prevalence of modest and limited incomes among the elderly, their difficulty in obtaining liberal long-term home mortgage credit, and their need for housing planned and designed to include features necessary to the safety and convenience of the occupants in a suitable neighborhood environment. The Congress further finds that the present programs for housing the elderly under the Department of Housing and Urban Development have proven the value of Federal credit assistance in this field and at the same time demonstrated the urgent need for an expanded and more comprehensive effort to meet our responsibilities to our senior citizens.

\* \* \* \* \*

Approved September 28, 1962.

## REFINANCING UNDER INTEREST REDUCTION PAYMENT PROGRAM

EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476, 502, 12 U.S.C. 1715z-1, note]

## RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

\* \* \* \* \*

SEC. 201.

\* \* \* \* \*

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act<sup>1</sup> a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided*, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

\* \* \* \* \*

Approved August 1, 1968.

<sup>1</sup> Interest reduction payment program for lower income families.

## EXCERPTS FROM THE HOUSING ACT OF 1950

[Public Law 475, 81st Cong.; 64 Stat. 48, 77, 12 U.S.C. 1749]

## TITLE IV—HOUSING FOR EDUCATIONAL INSTITUTIONS

FEDERAL ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS <sup>1</sup>

SEC. 401.<sup>2</sup> (a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary<sup>3</sup> may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided*, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials.

(b) Any educational institution which, prior to the date of enactment of this Act, has contracted for housing or other educational facilities may, in connection therewith, receive loans authorized under this title, as the Secretary may determine: *Provided*, That no such loan shall be made for any housing or other educational facilities, the construction of which was begun prior to the effective date of this Act, or completed prior to the filing of an application under this title.

<sup>1</sup> Sec. 1705(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 604, substituted this heading for "Federal Loans".

The President's letter of July 18, 1950, to the Housing and Home Finance Administrator, requested that the Administrator "Suspend for the time being commitments for direct loans for the construction of housing by educational institutions", as one of several administrative actions requested in order to conserve building materials for national defense purposes and lessen inflationary tendencies. On December 8, 1950, the President released \$40,000,000 for defense-related college housing loans. An additional \$60,000,000 was made available for fiscal 1953, \$50,000,000 for fiscal 1954 and 1955 each, and \$25,000,000 for fiscal 1956, making a cumulative total released of \$225,000,000. On August 4, 1953, the Housing Administrator announced the removal of defense restrictions on college housing loans and that colleges would no longer be required to show a defense-related need to qualify for a loan.

<sup>2</sup> Sec. 301, Housing Amendments of 1955, Public Law 345, 84th Congress, approved Aug. 11, 1955, 69 Stat. 635, 644, amended subsection (a) to permit loans for other educational facilities in addition to housing, and to provide that a loan could be made unless the educational institution could obtain funds from private lending sources upon terms equally as favorable as the terms of the Government loan. Prior to the 1955 Act, institutions were required to show that they could not secure the funds from private sources upon terms and conditions generally comparable to the terms and conditions applied to Government loans.

Sec. 1705(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 604, amended subsection (a) to authorize, in addition to loans, annual grants (separately or in combination with loans) to reduce the cost of borrowing from other sources. Provisions were also added authorizing loans or grants for the acquisition and renovation of facilities or the purchase of existing facilities not in need of renovation.

<sup>3</sup> Sec. 8(a), Public Law 90-19, approved May 25, 1967, 81 Stat. 17, 22, substituted "Secretary" for "Administrator" throughout Title IV in order to make it conform to the Department of Housing and Urban Development Act which placed all the functions of the Housing and Home Finance Administrator in the Secretary of Housing and Urban Development.



(c) (1) A loan to an educational institution may be in an amount not exceeding the total development cost of the facility, as determined by the Secretary; shall be secured in such manner and be repaid within such period, not exceeding fifty years,<sup>1</sup> as may be determined by him; and with respect to loan contracts under which loan funds have not been fully disbursed prior to the rate of enactment of the College Housing Amendments of 1955 shall bear interest<sup>2</sup> at a rate determined by the Secretary which shall be not more than the lower of (A) 3 per centum per annum, or (B) the total of one-quarter of 1 per centum per annum added to the rate of interest paid by the Secretary on funds obtained from the Secretary of the Treasury as provided in subsection (e) of this section.

(2)<sup>3</sup> Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction or purchase of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amount if the applicable interest rate were the rate specified in paragraph (1): *Provided*, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities.

(d) (1)<sup>4</sup> To obtain funds for loans under subsection (a) of this section, the Secretary may issue and have outstanding at any one time

<sup>1</sup> As originally enacted, the term of a loan was limited to 40 years. Sec. 301, Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 644, raised the maximum term to 50 years.

<sup>2</sup> As originally enacted, the interest rate was fixed at the annual rate of interest specified in the most recently issued bonds of the Federal Government having a maturity of 10 years or more, plus  $\frac{1}{4}$  of 1 percent. Sec. 24(b), Housing Amendments of 1953, Public Law 94, 83d Congress, approved June 30, 1953, 67 Stat. 121, 128, amended the interest rate provisions so that the Secretary of the Treasury determined the minimum base rate by estimating the average yield to maturity based on daily closing market bid quotations during the month of May on all outstanding marketable obligations of the U.S. having a maturity date of 15 or more years from May 1, and by adjusting the average yield to the nearest  $\frac{1}{8}$  of 1 percent. A similar determination was made each December for loan contracts approved during the following half-year period.

Sec. 308(b), Housing Act of 1964, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 646, provided that the interest rate would be determined on the basis of the going Federal rate in effect at the time the loan was approved by the Housing Administrator, instead of the time the loan was executed, as previously required.

Sec. 301, Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 644, provided that loans would bear interest at a rate of not more than the higher of (1) 2½ percent per annum, or (2) the total of  $\frac{1}{4}$  of 1 percent per annum added to the rate of interest paid on funds obtained from the Treasury to make the loans. The interest rate paid to the Treasury was not more than the higher of (1) 2½ percent per annum, or (2) the average annual interest rate on all interest-bearing obligations of the U.S. then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance of obligations for college housing loans and adjusted to the nearest  $\frac{1}{8}$  of 1 percent.

Sec. 602, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489, placed a ceiling of 3 percent (or the amount derived under the existing formula, if lower) on the interest rate applicable to college housing loans.

\* Sec. 1705(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 604, added paragraph (2).

\* Immediately prior to amendment by sec. 401, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 172, subsec. (d) (1) read as follows:

"(d) To obtain funds for loans under subsection (a) of this section, the Administrator may issue and have outstanding at any one time notes and obligations for purchase by the Secretary of the Treasury in an amount not to exceed \$1,675,000,000: *Provided*, That the amount outstanding for other educational facilities, as defined herein, shall not exceed \$175,000,000: *Provided further*, That the amount outstanding for hospitals, referred to in clause (2) of section 404(b) of this title, shall not exceed \$100,000,000."

notes and obligations for purchase by the Secretary of the Treasury in an amount not to exceed \$1,675,000,000, which amount shall be increased by \$300,000,000 on July 1 in each of the years 1961 through 1965, and 1967, and 1968:<sup>1</sup> *Provided*, That the amount outstanding for other educational facilities, as defined herein, shall not exceed \$175,000,000, which limit shall be increased by \$30,000,000 on July 1 in each of the years 1961 through 1968:<sup>1</sup> *Provided further*, That the amount outstanding for hospitals, referred to in clause (2) of section 404(b) of this title, shall not exceed \$100,000,000, which limit shall be increased by \$30,000,000 on July 1 in each of the years 1961 through 1968<sup>1</sup> and,<sup>2</sup> notwithstanding the first proviso of this subsection, the amount of this annual increase which is not utilized for loans for hospitals may be utilized for loans for other educational facilities, as defined herein.

(2)<sup>3</sup> There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payment on notes or other obligations issued by the Secretary under this section.

(e) Notes or other obligations issued by the Secretary under this title shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Secretary, with the approval of the Secretary of the Treasury. Such notes or other obligations issued to obtain funds for loan contracts entered into after the effective date of the College Housing Amendments of 1955 shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the<sup>4</sup> lower of (1)  $2\frac{3}{4}$  per centum per annum, or (2) the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance by the Secretary and adjusted to the nearest one-eighth of 1 per centum. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Secretary issued under this title and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this

<sup>1</sup> Sec. 601, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489, substituted "1968" for "1964".

Sec. 3(b), Participation Sales Act of 1966, Public Law 89-429, approved May 24, 1966, 80 Stat. 164, 166, deleted "through 1968" immediately preceding the first proviso and substituted "through 1965, and 1967 and 1968" thus eliminating \$300,000,000 that had been made available for college housing loans for fiscal 1967.

<sup>2</sup> Sec. 1014(b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1292, added the remainder of this paragraph.

<sup>3</sup> Sec. 1705(d), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 604, added paragraph (2), which was formerly sec. 401(f).

<sup>4</sup> Sec. 602(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489, substituted "the lower of (1)  $2\frac{3}{4}$  per centum per annum, or" for "the higher of (1)  $2\frac{1}{2}$  per centum per annum, or". Sec. 602(b) further provided that this change is effective with respect to notes or other obligations financing loan contracts entered into after the date of the enactment of the Housing and Urban Development Act of 1965 (August 10, 1965).



section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public-debt transactions of the United States.

(f)<sup>1</sup> (1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed \$20,000,000 which amount shall be increased by \$6,300,000<sup>2</sup> on July 1, 1970, and by \$12,000,000 on July 1, 1971.

(g)<sup>3</sup> Except as otherwise provided in the second paragraph of section 404(b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404(b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution.

#### GENERAL PROVISIONS

SEC. 402. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary notwithstanding the provisions of any other law, shall—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended; and

(2) maintain a set of accounts which shall be audited by the Comptroller General in accordance with the provisions of the Accounting and Auditing Act of 1950: *Provided*, That such financial transactions of the Administrator as the making of loans and vouchers approved by the Administrator in connection with such financial transactions shall be final and conclusive upon all officers of the Government.<sup>4</sup>

<sup>1</sup> Sec. 1705(e), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 604, added subsection (f) in lieu of previous provisions which were made sec. 401(d)(2).

<sup>2</sup> Sec. 219, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 390, increased by \$4,200,000 on July 1, 1970, the authorization for college housing debt service grants. Sec. 710, Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 463, substituted "\$6,300,000" for "\$4,200,000", and sec. 205, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1777, increased by \$12,000,000 on July 1, 1971, the authorization for college housing debt service grants.

<sup>3</sup> Sec. 603(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 78 Stat. 654, 682, added subsec. (g). The clause at the beginning of this subsection was inserted by sec. 604(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489. Sec. 1705(g), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 605, inserted "or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section".

<sup>4</sup> Sec. 705(b) of the General Accounting Office Act of 1974, Public Law 93-604, 88 Stat. 1959, approved January 2, 1975, amended section 402(a)(2) of the Housing Act of 1950.



(b) Funds made available to the Secretary pursuant to the provisions of this title shall be deposited in a checking account or accounts with the Treasurer of the United States. Receipts and assets obtained or held by the Secretary in connection with the performance of his functions under this title, and all funds available for carrying out the functions of the Secretary under this title (including appropriations therefor, which are hereby authorized), shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Secretary in connection with the performance of such functions.

(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary, notwithstanding the provisions of any other law, may—

(1) prescribe such rules and regulations as may be necessary to carry out the purposes of this title;

(2) consult with and secure the advice and recommendations of the Office of Education in the Department of Health, Education, and Welfare;<sup>1</sup>

(3) sue and be sued;

(4) foreclose on any property or commence any action to protect or enforce any right conferred upon him by any law, contract, or other agreement, and bid for and purchase at any foreclosure or any other sale any property in connection with which he has made a loan pursuant to this title. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease and otherwise deal with, such property: *Provided*, That any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property;

(5) enter into agreements to pay annual sums in lieu of taxes to any State or local taxing authority with respect to any real property so acquired or owned;

(6) sell or exchange at public or private sale, or lease, real or personal property, and sell or exchange any securities or obligations, upon such terms as he may fix;

(7) obtain insurance against loss in connection with property and other assets held;

(8) subject to the specific limitations in this title, consent to the modification, with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or agreement to which he is a party or which has been transferred to him pursuant to this title; and

(9) include in any contract or instrument made pursuant to this title such other covenants, conditions, or provisions as he may deem necessary to assure that the purposes of this title will be achieved.

(d) Section 3709 of the Revised Statutes shall not apply to any contract for services or supplies on account of any property acquired

<sup>1</sup> All functions of the Federal Security Agency were transferred to the Department of Health, Education, and Welfare by Reorganization Plan No. 1 of 1953, effective April 11, 1953, 67 Stat. 631.

pursuant to this title if the amount of such contract does not exceed \$1,000.

(e) <sup>1</sup> The provisions of section 309 of the Independent Offices Appropriation Act, 1950 <sup>2</sup> (63 Stat. 662), which are applicable to corporations or agencies subject to the Government Corporation Control Act, shall also be applicable to the activities of the Secretary under this title.

(f) <sup>3</sup> The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors on any project assisted under this title, the construction or rehabilitation of which was commenced after the date of enactment of the Housing Act of 1959, (1) shall be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the Secretary of Labor in accordance with the Act of March 3, 1931 (Davis-Bacon Act), as amended, and (2) shall be employed not more than forty hours in any one week unless the employee receives wages for his employment in excess of the hours specified above at a rate not less than one and one-half times the regular rate at which he is employed; but the Secretary may waive the application of this subsection in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of such project, voluntarily donate their services without full compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts saved thereby are fully credited to the educational institution undertaking the construction.

#### APPORTIONMENT

SEC. 403. Not more than 12½ <sup>3</sup> per centum of the amount of the funds provided for in this title in the form of loans, and not more than 12½ <sup>4</sup> per centum of the funds provided for in this title for grants, shall be made available to educational institutions within any one State.

#### DEFINITIONS

SEC. 404. For the purposes of this title, the following terms shall have the meanings, respectively, ascribed to them below:

(a) "Housing" means (1) new or existing <sup>5</sup> structures suitable for dwelling use, including single-room dormitories and apartments, and (2) dwelling facilities provided for rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for the proposed dwelling use.

<sup>1</sup> Sec. 602, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 681, added subsecs. (e) and (f).

<sup>2</sup> Sec. 309 authorizes these agencies to consolidate into one or more accounts for banking and checking purposes, all cash, including amounts appropriated, from whatever source derived.

<sup>3</sup> Sec. 402, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 173, substituted "12½ per centum" for "10 per centum".

<sup>4</sup> Sec. 1705(f), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 604, inserted "and not more than 12½ per centum of the funds provided for in this title for grants."

<sup>5</sup> Sec. 1705(g)(2), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 605, added "or existing".

(b)<sup>1</sup> "Educational institution" means (1) (A) any educational institution which offers, or provides satisfactory assurance to the Secretary that it will offer within a reasonable time after completion of a facility for which assistance is requested under this title, at least a two-year program acceptable for full credit toward a baccalaureate degree (including any educational institution, or any private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual), or (B) any public educational institution which (i) is administered by a college or university which is accredited by a nationally recognized accrediting agency or association, (ii) offers technical or vocational instruction, and (iii) provides residential facilities for some or all of the students receiving such instruction, (2) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual, (3) any corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual) (A) established for the sole purpose of providing housing or other educational facilities for students or students and faculty of one or more institutions included in clause (1) of this subsection without regard to their membership in or affiliation with any social, fraternal, or honorary society or organization, and (B) upon dissolution of which all title to any property purchased or built from the proceeds of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401, will pass to such institution (or to any one or more of such institutions) unless it is shown to the satisfaction of the Secretary that such property or the proceeds from its sale will be used for some other nonprofit educational purpose, (4) any agency, public authority, or other instrumentality of any State established for the purpose of providing or financing housing or other educational facilities for students or faculty of any educational institution included in clause (1) of

<sup>1</sup> Sec. 303(1), Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, included within this definition educational institutions offering at least a 2-year program acceptable for full credit toward a baccalaureate degree, and nonprofit corporations established for the sole purpose of providing housing or other educational facilities.

Sec. 601(b), Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 304, included nonprofit hospitals which operate schools of nursing, or are approved for internship and State agencies established to finance housing and other related facilities for public educational institutions.

Sec. 603(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 634, 682, included nonprofit student housing cooperative corporations established for the purpose of providing housing for students or students and faculty of any institution included in clause (1) of this subsection.

Sec. 403, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 172, included nonprofit corporations that are not formed by an educational institution or institutions for which the corporations are providing housing.

Sec. 603, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489, included educational institutions which provide satisfactory assurance that they will offer a baccalaureate degree within a reasonable time after completion of facilities for which loans are requested, and public educational institutions which are (1) administered by nationally accredited colleges or universities, (2) offer technical or vocational instruction, and (3) provide residential facilities for some or all of their students.

Sec. 1014(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1292, included State authorities established to provide housing for students or faculties in private educational institutions.



this subsection, but nothing herein contained shall require an institution included in clause (1) of this subsection to obtain loans or grants through any instrumentality included in this clause of this subsection, and (5) any nonprofit student housing cooperative corporation established for the purpose of providing housing for students or students and faculty of any institution included in clause (1) of this subsection.

In the case of any loan made under section 401 to a corporation described in clause (3) of this subsection which was not established by the institution or institutions for whose students or students and faculty it would provide housing, or <sup>1</sup> to a student housing cooperative corporation described in clause (5) of this subsection, and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401, the Secretary shall require that the note securing such loan be cosigned by such institution (or by any one or more of such institutions: *Provided*,<sup>2</sup> That where the law of any State in effect on the date of enactment of the Housing Act of 1964<sup>3</sup> prevents the institution or institutions, for whose students or students and faculty the housing is to be provided, from cosigning the note, the Secretary shall require the corporation and the proposed project to be approved by such institution (or by any one or more of such institutions) in lieu of such cosigning.

(c) "Development cost" means costs of the construction of the housing or other educational facilities and the land on which it is located, including necessary site improvements to permit its use for housing or other educational facilities; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary.

(d) "Faculties" means members of the faculty and their families.

(e) "State" shall include the several States, the District of Columbia, and the Territories and possessions of the United States.

(f) "Secretary" means the Secretary of Housing and Urban Development.

(g) "Construction" means erection of new structures, or rehabilitation, alteration, conversion, or improvement of existing structures.

(h)<sup>4</sup> "Other educational facilities" means (1) new or existing<sup>5</sup> structures suitable for use as cafeterias or dining halls, student centers or student unions, infirmaries or other inpatient or outpatient health facilities, or for other essential service facilities, and (2) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

\* \* \* \* \*

Approved April 20, 1950.

<sup>1</sup> The phrase "or to a student housing cooperative corporation described in clause (5) of this subsection," inserted by sec. 604(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 489.

<sup>2</sup> Added by sec. 1002, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 806.

<sup>3</sup> September 2, 1964.

<sup>4</sup> Subsec. (h) added by sec. 33(2) of the Housing Amendments of 1955 (the "College Housing Amendments of 1955"), Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 646.

See also, secs. 106 and 108(b), Higher Education Facilities Act of 1963, 20 U.S.C. 716, for grants to assist facilities.

<sup>5</sup> Sec. 1705(g) (7), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 605, added "or existing".

## COLLEGE HOUSING

### EXCERPT FROM PUBLIC LAW 93-529

[88 Stat. 1710]

\* \* \* \* \*

AN ACT To rescind certain budget authority recommended in the messages of the President of September 20, 1974 (H. Doc. 93-361), October 4, 1974 (H. Doc. 93-365) and November 13, 1974 (H. Doc. 93-387), transmitted pursuant to section 1012 of the Impoundment Control Act of 1974.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following rescissions of budget authority contained in the messages of the President of September 20, 1974 (H. Doc. 93-361), October 4, 1974 (H. Doc. 93-365) and November 13, 1974 (H. Doc. 93-387) are made pursuant to section 1012 of the Impoundment Control Act of 1974, namely:

## CHAPTER I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### COLLEGE HOUSING

The limitation otherwise applicable to the total payments that may be required in any fiscal year by all contracts entered into under title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749 et seq.), is hereby reduced by the uncommitted balances of authorizations heretofore provided for this purpose in appropriation acts.

\* \* \* \* \*

Approved December 21, 1974.





## EXCERPTS FROM HOUSING ACT OF 1964

[Public Law 88-560, 78 Stat. 769, 790; 42 U.S.C. 1452b]

## TITLE III—URBAN RENEWAL

\* \* \* \* \*

## REHABILITATION LOANS

SEC. 312. (a) The Secretary <sup>1</sup> is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

(1) (A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement <sup>2</sup> activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally <sup>3</sup> improve the condition of the property; or

(B) <sup>4</sup> (i) the property is in an area (other than an area described in subparagraph (A) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation, (ii) there is in effect for the locality a workable program meeting the requirements of section 101(c) of the Housing Act of 1949, (iii) the property is residential and owner-occupied, (iv) the property is in need of rehabilitation and is in violation of the local minimum housing or similar code, and (v) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and the rehabilitation of such property is consistent with the plan for rehabilitation or code enforcement; or

(C) <sup>4</sup> (i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a

<sup>1</sup> Secretary of Housing and Urban Development.

Sec. 21(b), Public Law 90-19, approved May 25, 1967, 81 Stat. 17, 25, substituted the Secretary of Housing and Urban Development for the Housing and Home Finance Administrator throughout this section in order to make it conform to the Department of Housing and Urban Development Act which placed all the functions of the Housing and Home Finance Administrator in the Secretary of Housing and Urban Development.

The Secretary delegated to the Administrator, Small Business Administration, effective March 20, 1967, the authority to make and administer rehabilitation loans to owners or tenants of nonresidential property, 32 Fed. Reg. 4509.

<sup>2</sup> Sec. 311(e), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 479, authorized loans in areas of concentrated code enforcement activities.

<sup>3</sup> Sec. 509(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 523, added this provision which permits a loan to include an amount for the general improvement of the property.

<sup>4</sup> Sec. 509, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 523, added subparagraphs (B) and (C).

statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, and (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards; or

(D)<sup>1</sup> the rehabilitation is a part of, or is necessary or appropriate to the execution of, an approved community development program under title I of the Housing and Community Development Act of 1974 or an approved urban homestead program under section 809 of such Act;

(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan.

The Secretary shall, in making loans under this section, give priority to applications by low- and moderate-income persons who own the property to be rehabilitated and will occupy such property upon completion of the rehabilitation, including applications by condominiums and cooperatives in which the residents are principally of low and moderate income. For the purpose of the preceding sentence, the term "low and moderate income" means income which does not exceed 95 per centum of the median income for the area.<sup>2</sup>

(b) For the purposes of this section—

(1) the term "rehabilitation" means the improvement or repair of a structure or facilities in connection with a structure, and may include the provision of such sanitary or other facilities as are required by applicable codes, the urban renewal plan, or a statewide property insurance plan to be provided by the owner or tenant of the property;

(2) the term "urban renewal area" means a slum area or a blighted, deteriorated, or deteriorating area as defined in section 110(a) of the Housing Act of 1949;

(3) the term "tenant" means a person or organization who is occupying a structure under a lease having a period to run at the time a rehabilitation loan is made under this section of not less than the term of the loan; and

(4) the term "Secretary" means the Secretary of Housing and Urban Development.

(c) A rehabilitation loan made under this section shall be subject to the following limitations:

(1) The loan shall be subject to such terms and conditions as may be prescribed by the Secretary.

(2) The term of the loan may not exceed twenty years or three-fourths of the remaining economic life of the structure after rehabilitation, whichever is less.

<sup>1</sup> Sec. 116(e)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 312(a)(1) by adding a new subparagraph (D).

<sup>2</sup> This paragraph was added by Sec. 101(a)(1) of the Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 (1978). The paragraph previously stated:

"In making loans with respect to residential property under this section, priority shall be given to applications made by persons whose annual income, as determined pursuant to criteria and procedures established by the Secretary, is within the limitations prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d)(3) of the National Housing Act."

(3) The loan shall bear interest at such rate as the Secretary determines to be appropriate, but not to exceed 3 per centum per annum for loans to families with adjusted incomes of not more than 80 per centum of the median income for the area. For loans to families with adjusted incomes above 80 per centum of the median income for the area, as determined by the Secretary, the Secretary may establish interest rates based on adjusted family income, ranging from above 3 per centum to a rate determined by the Secretary, but in no case may any such rate exceed the current average market yield on outstanding marketable securities of the United States with remaining periods to maturity comparable to the terms of loans made pursuant to this section, adjusted to the nearest one-eighth of 1 per centum. The Secretary may prescribe such other charges adequate in the judgment of the Secretary to cover administrative costs and possible losses under the program.<sup>1</sup>

(4) The amount of the loan may not exceed—

(A)<sup>2</sup> in the case of residential property, \$27,000 per dwelling unit: *Provided*, That, within the limitations otherwise applicable on the amount of a loan, the loan may exceed the cost of rehabilitation in order to include an amount approved by the Secretary to refinance existing indebtedness secured by such property if such refinancing is necessary to enable the applicant to amortize, with a monthly payment of not more than 20 per centum of his average monthly income, such loan and any other indebtedness secured by his property, or if such refinancing is deemed necessary by the Secretary to minimize displacement of existing tenants of a multifamily property;<sup>3</sup> and

(B) in the case of nonresidential property, whichever of the following is the least: \$100,000,<sup>4</sup> or the cost of rehabilitation, or an amount which when added to any outstanding indebtedness related to the property securing the loan creates a total outstanding indebtedness that the Secretary determines could be reasonably secured by a first mortgage on the property.

(5) A loan shall be secured as determined by the Secretary.

(d) There is authorized to be appropriated not to exceed \$150,000,000<sup>5</sup> for each fiscal year ending prior to July 1, 1975, not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975, not to

<sup>1</sup> This paragraph was added by Sec. 101(a)(2) of the Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 (1978). The paragraph previously read:

"(3) The loan shall bear interest at such rate as the Secretary determines to be appropriate but not to exceed 3 per centum per annum of the amount of the principal outstanding at any time, and the Secretary may prescribe such other charges as he finds necessary, including service charges and appraisal, inspection, and other fees."

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Sec. 312(c)(4)(A) by deleting "the amount of a loan which could be insured by the Secretary of Housing and Urban Development under section 220 (h) of the National Housing Act" and inserting in lieu thereof "\$27,000 per dwelling unit"; and by deleting "under such section".

<sup>3</sup> Amended by Sec. 101(a)(3) of the Housing and Community Development Amendment of 1978, Public Law 95-557, 92 Stat. 2080 (1978), which added the language following "secured by his property".

<sup>4</sup> Sec. 101(a)(4) of the Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 (1978), amended this section by deleting "\$50,000" and replacing it with "\$100,000".

<sup>5</sup> Sec. 312(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 479, substituted "\$100,000,000 for each fiscal year" for "\$50,000,000", and added the last sentence of this subsec. (d). Sec. 509(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 523, substituted "\$150,000,000" for "\$100,000,000".



exceed \$100,000,000 for the fiscal year beginning on October 1, 1976, not to exceed \$60,000,000 for the fiscal year beginning on October 1, 1977, and not to exceed \$245,000,000 for the fiscal year beginning on October 1, 1978.<sup>1</sup> All moneys in such revolving fund shall be available for necessary expenses of servicing loans made pursuant to this section, including reimbursement or payment for services and facilities of the Government National Mortgage Association and of any public or private agency for the servicing of such loans. The<sup>2</sup> amount of commitments to make loans pursuant to this section entered into after August 22, 1976, shall not exceed amounts approved in appropriation Acts. Of the amounts available for loans under this section during the fiscal year beginning October 1, 1978, the Secretary may utilize not more than \$60,000,000 for rehabilitation loans for multifamily properties.<sup>3</sup>

(e) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in section 402 of the Housing Act of 1950 (except subsection (c)(2)).

(f) The Secretary is authorized to delegate to or use as his agent any Federal or local public or private agency or organization to the extent he determines appropriate and desirable to carry out the objectives of this section in the area involved.

(g) The Secretary is authorized to issue such rules and regulations and impose such requirements and conditions (in addition to those specified in this section) as he determines to be desirable to carry out the objectives of this section, including limitations on the amount of a loan and restrictions on the use of the property involved.

(h)<sup>4</sup> No loan shall be made under this section after September 30, 1979, except pursuant to a contract, commitment, or other obligation entered into pursuant to this section prior to October 1, 1979.<sup>4</sup>

(i)<sup>5</sup> The Secretary may not, after 270 days following the date of the enactment of this subsection, make any loan under this section with respect to any property unless the Secretary has determined that the improvements to such property, upon completion of the rehabilitation, will meet cost-effective energy conservation standards prescribed by the Secretary.<sup>2</sup>

(i)<sup>6</sup> Rehabilitation loans under this section for multifamily properties shall be subject to the following additional limitations and conditions:

<sup>1</sup> Sec. 101(a)(5) of the Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, (1978), replaced "and not to exceed \$60,000,000 for the fiscal year beginning on October 1, 1977." With the language following "October 1, 1976."

<sup>2</sup> Sec. 12(a)(2) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, further amended section 312(d) to read as set forth in the text.

<sup>3</sup> This sentence was added by Sec. 101(a)(6) of the Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 (1978).

<sup>4</sup> Sec. 312(c), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 479, added subsection (h).

Sec. 111(a) of the Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended subsection (h) to read as set forth in the text.

<sup>5</sup> Added by Sec. 101(a)(7), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 (1978).

<sup>6</sup> Added by Sec. 101(a)(7), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 (1978). Designating this subsection "(i)" is apparently a technical error. It probably should be designated "(j)" and "(j)" probably should be designated "(k)".

(1) The property must meet the requirements of subsection (a) and—

(A) be located in a low- or moderate-income neighborhood; or

(B) have a majority of tenants of low and moderate income.

All such loans must be consistent with an overall community development strategy developed pursuant to title I of the Housing and Community Development Act of 1974.

(2) The property must have fewer than 100 units, except where the Secretary determines that a loan under this section is essential to meet the community development needs of a neighborhood and alternative sources of financing are not available.

(3) The Secretary shall enter into an agreement with the investor-owner of a multifamily property which is to be rehabilitated with a loan under this section to limit, for a period of at least five years, the increased rent caused by the rehabilitation.

(4) The Secretary shall minimize involuntary displacement caused by rehabilitation loans under this section with respect to multifamily properties.

(j)<sup>1</sup> In conjunction with the annual report required under section 113(a) of the Housing and Community Development Act of 1974, the Secretary shall submit to the Congress a report on the rehabilitation loan program under this section. Such report shall include a summary of the use of funds under this section, particularly with regard to the types of neighborhoods and persons aided under this section, and an evaluation of progress made toward community development goals under this section. As soon as feasible, but not later than December 1, 1979, the Secretary shall submit to Congress an interim report evaluating the use of funds under this section for multifamily properties, with legislative recommendations for improving the overall effectiveness of Federal assistance for the rehabilitation of multifamily properties.

\* \* \* \* \*

Approved September 2, 1964.

<sup>1</sup> Added by Sec. 101(b), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 (1978). Designating this subsection "(j)" is apparently a technical error. It probably should be designated "(k)". (See footnote 6 on previous page.)

The following is a list of the names of the members of the American Medical Association who have been elected to the office of President of the Association for the year 1904. The names are arranged in alphabetical order of the names of the members of the Association who have been elected to the office of President of the Association for the year 1904. The names are arranged in alphabetical order of the names of the members of the Association who have been elected to the office of President of the Association for the year 1904.

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## EXCERPTS, HOUSING AND URBAN DEVELOPMENT ACT OF 1965

[Public Law 89-117, 79; Stat. 451, 12 U.S.C. 1701s]

## TITLE I—SPECIAL PROVISIONS FOR DISADVANTAGED PERSONS

FINANCIAL ASSISTANCE TO ENABLE CERTAIN PRIVATE HOUSING TO BE AVAILABLE FOR LOWER INCOME FAMILIES WHO ARE ELDERLY, HANDICAPPED, DISPLACED, VICTIMS OF A NATURAL DISASTER, OR OCCUPANTS OF SUBSTANDARD HOUSING

SEC. 101. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make, and contract to make, annual payments to a "housing owner" on behalf of "qualified tenants", as those terms are defined herein, in such amounts and under such circumstances as are prescribed in or pursuant to this section. In no case shall a contract provide for such payments with respect to any housing for a period exceeding forty years. The aggregate amount of the contracts to make such payments shall not exceed amounts approved in appropriation Acts<sup>1</sup> and payments pursuant to

<sup>1</sup> The Supplemental Appropriation Act, 1966, Public Law 89-309, approved Oct. 31, 1965, 79 Stat. 1133, 1135, provided no funds for rent supplement payments or authorization for rent supplement contracts, but appropriated \$450,000 to FHA and \$300,000 to the Housing Administrator to prepare plans for implementing the rent supplement program and for making studies and market surveys in connection with the program.

The Second Supplemental Appropriation Act, 1966, Public Law 89-426, approved May 13, 1966, 80 Stat. 141, 143, appropriated \$100,000 for rent supplement payments and authorized contracts for rent supplement payments aggregating up to \$12,000,000 per year. The act provided further that no part of the appropriation or contract authority could be used for incurring any obligation in connection with any dwelling unit or project which is not either part of a workable program for community improvement, or which is without local official approval for participation in the rent supplement program.

The Independent Offices Appropriation Act, 1967, Public Law 89-555 approved September 6, 1966, 80 Stat. 663, appropriated \$2,000,000 for rent supplement payments and increased by \$20,000,000 the limit on the amount of annual rent supplement payments that can be contracted for. This act also contained the same requirements with respect to the workable program or local official approval as was contained in the Second Supplemental Appropriation Act, 1966.

The Independent Office and Department of Housing and Urban Development Appropriation Act, 1968, Public Law 90-121, approved November 3, 1967, 81 Stat. 341, 356, increased by \$10,000,000 the limit of the amount of annual rent supplement payments that can be contracted for, and appropriated \$5,000,000 for payments. This act also contained the same requirements with respect to the workable program or local official approval as was contained in the Second Supplemental Appropriation Act, 1966, supra. The Independent Offices and Department of Housing and Urban Development Act, 1969, Public Law 90-550, Oct. 4, 1968, 82 Stat. 937, 952, increased by \$30 million the limit on the amount of annual rent supplement payments that can be contracted for, and repeated previous appropriation act provisions requiring workable program or local official approval for participation in the program.

The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1970, Public Law 91-126, approved November 26, 1969, 83 Stat. 221, 238, increased by \$50,000,000 the limit on the amount of annual rent supplement payments that can be contracted for, and also repeated previous appropriation act provisions requiring workable program or local official approval for participation in the program. The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1971, Public Law 91-556, approved December 17, 1970, 84 Stat. 1442, 1459, increased by \$55,000,000 the limit on the amount of annual rent supplement payments that can be contracted for, and likewise repeated the same requirements concerning the workable program or local official approval. The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1969, supra, appropriated \$12,000,000 for rent supplement payments. The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1970, supra, appropriated \$23,000,000 for such payments, and the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1971, supra, appropriated \$46,600,000 for such payments.

such contracts shall not exceed \$150,000,000<sup>1</sup> per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$40,000,000, on July 1, 1969, by \$100,000,000 on July 1, 1970, and<sup>2</sup> by \$40,000,000 on July 1, 1971.

(b) As used in this section, the term "housing owner" means a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under section 221(d)(3) of the National Housing Act and which, after the enactment of this section, has been approved for mortgage insurance thereunder and has been approved for receiving the benefits of this section: *Provided*, That, except as provided in subsection (j), no payments under this section may be made with respect to any property financed with a mortgage receiving the benefits of the interest rate provided for in the proviso in section 221(d)(5) of that Act. Such<sup>3</sup> term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which<sup>4</sup> may involve either new or existing construction and which is approved for receiving the benefits of this section. Subject to the limitations provided in subsection (j), the term "housing owner" also has the meaning prescribed in such subsection.

Nothing<sup>5</sup> in this section shall be construed as preventing payments to a housing owner with respect to projects in which all or part of the dwelling units do not contain kitchen facilities; but of the total amount of contracts to make annual payments approved in appropriation Acts pursuant to subsection (a) after the date of the enactment of the Housing and Urban Development Act of 1970, not more than 10 per centum in the aggregate shall be made with respect to such projects.

(c) As used in this section, the term "qualified tenant" means any individual or family who has, pursuant to criteria and procedures established by the Secretary, been determined—

(1) to have an income below the maximum amount which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for occupancy in public housing dwellings; and

(2) to be one of the following—

(A) displaced by governmental action;

<sup>1</sup> Sec. 202(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 503, added the provisions for a \$40 million increase on July 1, 1969, and a \$100 million increase on July 1, 1970.

<sup>2</sup> Sec. 103, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1771, added the provision for a \$40 million increase on July 1, 1971.

<sup>3</sup> Sec. 202(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 503, added this sentence.

<sup>4</sup> Sec. 118(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, substituted "which may involve either new or existing construction and which is approved for receiving the benefits of this section" for "which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section".

<sup>5</sup> Sec. 115(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1774, added this sentence.



(B) sixty-two years of age or older (or, in the case of a family to have a head who is, or whose spouse is, sixty-two years of age or over) ;

(C) physically handicapped (or in the case of a family, to have a head who is, or whose spouse is, physically handicapped) ;

(D) occupying substandard housing ;

(E) an occupant or former occupant of a dwelling which is (or was) situated in an area determined by the Small Business Administration, subsequent to April 1, 1965, to have been affected by a <sup>1</sup> disaster, and which has been extensively damaged or destroyed as the result of such disaster ; or

(F)<sup>2</sup> a family whose head, or spouse, is a member of the Armed Forces of the United States who is serving on active duty.

The terms "qualified tenant" and "tenant" including a member of a cooperative who satisfies the foregoing requirements and who, upon resale of his membership to the cooperative, will not be reimbursed for any equity increment accumulated through payments under this section. With respect to members of a cooperative, the terms "rental" and "rental charges" mean the charges under the occupancy agreements between such members and the cooperative.

(d) The amount of the annual payment with respect to any dwelling unit shall not exceed the amount by which the fair market rental for such unit exceeds one-fourth of the tenant's income as determined by the Secretary pursuant to procedures and regulations established by him. In <sup>3</sup> determining the income of any tenant for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor person who is a member of the immediate family of such tenant and living with such tenant, and the earnings of any such minor person shall not be included in the income of such tenant.

(e) (1) For purposes of carrying out the provisions of this section, the Secretary shall establish criteria and procedures for determining the eligibility of occupants and rental charges, including criteria and procedures with respect to periodic review of tenant incomes and periodic adjustment of rental charges. The Secretary shall issue, upon the request of a housing owner, certificates as to the following facts concerning the individuals and families applying for admission to, or residing in, dwelling of such owner :

(A) the income of the individual or family ; and

(B) whether the individual or family was displaced by governmental action, is elderly, is physically handicapped, or is (or was) occupying substandard housing or housing extensively damaged or destroyed as the result of a natural disaster or <sup>4</sup> is a member of the Armed Forces of the United States serving on active duty.

<sup>1</sup> Sec. 1106(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 567, substituted "disaster" for "natural disaster".

<sup>2</sup> Sec. 120(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, added paragraph (F).

<sup>3</sup> Sec. 201(e), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, added this sentence.

<sup>4</sup> Sec. 120(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1775, inserted "or is a member of the Armed Forces of the United States serving on active duty".



(2) Procedures adopted by the Secretary hereunder shall provide for recertifications of the incomes of occupants, except the elderly, at intervals of two years (or at shorter intervals in cases where the Secretary may deem it desirable) for the purpose of adjusting rental charges and annual payments on the basis of occupants' incomes, but in no event shall rental charges adjusted under this section for any dwelling exceed the fair market rental of the dwelling.

(3) The Secretary may enter into agreements, or authorize housing owners to enter into agreements, with public or private agencies for services required in the selection of qualified tenants, including those who may be approved, on the basis of the probability of future increases in their incomes, as lessees under an option to purchase (which will give such approved qualified tenants an exclusive right to purchase at a price established or determined as provided in the option) dwellings, and in the establishment of rentals. The Secretary is authorized (without limiting his authority under any other provision of law) to delegate to any such public or private agency his authority to issue certificates pursuant to this subsection.

(4) No payments under this section may be made with respect to any property for which the costs of operation (including wages and salaries) are determined by the Secretary to be greater than similar costs of operation of similar housing in the community where the property is situated.

(f)<sup>1</sup> \* \* \*

(g) The Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section. Nothing contained in this section shall affect the authority of the Secretary of Housing and Urban Development with respect to any housing assisted under this section, section 221(d)(3), section 231(c)(3), or section 236<sup>2</sup> of the National Housing Act, or section 202 of the Housing Act of 1959, including the authority to prescribe occupancy requirements under other provisions of law or to determine the portion of any such housing which may be occupied by qualified tenants.

(h) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including, but not limited to, such sums as may be necessary to make annual payments as prescribed in this section, pay for services provided under (or pursuant to agreements entered into under) subsection (e), and provide administrative expenses.

(i)<sup>3</sup> \* \* \*.

<sup>1</sup> Subsec. (f) amended sec. 101(c) of the Housing Act of 1949 to provide that the requirement that the community must have a workable program for community improvement before the housing is eligible for FHA mortgage insurance does not apply in the case of housing to be used under the rent supplement program, unless the workable program was previously required and in effect in the community for purposes of Federal assistance to code enforcement, urban renewal, or public housing. However, the Second Supplemental Appropriation Act, 1966, Public Law 89-426, 80 Stat. 141, and subsequent appropriation acts provide that no part of the rent supplement contract authority contained in those laws may be used for incurring any obligation in connection with any dwelling unit or project which is not either part of a workable program for community improvement, or which is without local official approval for participation in the rent supplement program.

<sup>2</sup> Sec. 201(e)(2), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, added "or section 236".

<sup>3</sup> Subsec. (i) amended sec. 114(c)(2) of the Housing Act of 1949 to provide that a displaced person or family who obtains a dwelling unit with the assistance of a rent supplement will not be entitled to receive a relocation adjustment payment, although he may, if otherwise eligible, receive a payment for moving expenses.

(j) (1) For the purpose of assisting housing under this section on an experimental basis, subject to the limitations of this subsection, the term "housing owner" (in addition to the meaning prescribed in subsection (b)) includes—

(A) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage which receives the benefits of the interest rate provided for in the proviso in section 221(d)(5) of the National Housing Act and which, after the date of the enactment of this Act, has been approved for mortgage insurance under section 221(d)(3) of the National Housing Act and has been approved for receiving the benefits of this section;

(B) a private nonprofit corporation or other private nonprofit legal entity which is a mortgagor under a mortgage insured under section 231(c)(3)<sup>1</sup> of the National Housing Act and which, after the date of the enactment of this Act, has obtained final endorsement of such mortgage for mortgage insurance and has been approved for receiving the benefits of this section;

(C) a private nonprofit corporation, a public body or agency, or a cooperative housing corporation, which is a borrower under section 202 of the Housing Act of 1959<sup>2</sup> and has been approved for receiving the benefits of this section: *Provided*, That, with respect to properties financed with loans under such section made on or before the date of the enactment of this Act, payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed; and

(D)<sup>3</sup> a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is assisted under section 236<sup>3</sup> of the National Housing Act and which has been approved for receiving the benefits of this section: *Provided*, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed, except<sup>4</sup> that the foregoing limitation may be increased to 40 per centum of the dwelling units in any such property if the Secretary determines that such increase is necessary and desirable in order to provide additional housing for individuals and families meeting the requirements of subsection (c).

(2) Of the amounts approved in appropriation Acts pursuant to subsection (a) for payments under this section in any year, not more than 5 per centum in the aggregate shall be paid with respect to properties of housing owners as defined in paragraph (1)(A) of this subsection, and not more than 5 per centum in the aggregate shall be paid with respect to properties of housing owners as defined in paragraphs (1)(B) and (1)(C) of this subsection.

<sup>1</sup> Housing for the elderly or handicapped.

<sup>2</sup> Sec. 201(e)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 502, added paragraph (D) down to and including the proviso.

<sup>3</sup> Rental and cooperative housing for lower income families the financing of which is aided by interest reduction payments.

<sup>4</sup> This clause added by sec. 112, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 383.





EXCERPT FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF  
1974

[Public Law 93-383, 88 Stat. 633]

URBAN HOMESTEADING

SEC. 810. (a) Notwithstanding any other provision of law, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to transfer without payment to a unit of general local government or a State, or a public agency designated by a unit of general local government or a State, any real property—

- (1) which is improved by a one- to four-family residence;
- (2) to which the Secretary holds title;
- (3) which is not occupied;
- (4) which is requested by such unit, State, or agency for use in an urban homestead program; and

(5) which the Secretary determines is suitable for use in an urban homestead program which meets the requirements of subsection (b). In determining the suitability of such property for use in an urban homestead program, the Secretary shall consider—

(A) the difficulties and delays which would be involved in the sale of the property;

(B) the value of any repairs and improvements required by the program;

(C) the benefits to the community and the reduced administrative costs to the Federal Government which would accrue from the expedited occupancy of the unoccupied property; and

(D) the possible financial loss to the Federal Government which may result from the transfer of the property without payment.

(b) For the purposes of subsections (a) and (c), the Secretary shall approve an urban homestead program carried out by a unit of general local government or a State or a public agency designated by a unit of general local government or a State, which provides for—

(1) the conditional conveyance of unoccupied residential property by the responsible administrative entity to an individual or a family without any substantial consideration;

(2) an equitable procedure for selecting the recipients of the unoccupied residential property, giving special consideration to the recipients' need for housing and capacity to make or cause to be made the repairs and improvements required under paragraph (3) (C) of this subsection;

(3) an agreement whereby the individual or family to whom such property is conveyed agrees to—

(A) occupy such property as a principal residence for a period of not less than three years;

(B) make repairs required to meet minimum health and safety standards for occupancy prior to occupying the property;

(C) make such repairs and improvements to the property as may be necessary to meet applicable local standards for decent, safe, and sanitary housing within eighteen months after occupying the property; and

- (D) permit reasonable periodic inspections at reasonable times by employees of the unit of general local government or State or the public agency designated by the unit of general local government or State for the purpose of determining compliance with the agreement;
- (4) the revocation of such conveyance upon any material breach of the agreement referred to in paragraph (3);
- (5) the conveyance from the unit of general local government or State or the public agency designated by the unit of general local government or State of fee simple title to such property without consideration upon compliance with the agreement; and
- (6) a coordinated approach toward neighborhood improvement through the homestead program and the upgrading of community services and facilities.

The Secretary may approve such other programs as he determines to reasonably fulfill these criteria.

(c) The Secretary is authorized to enter into agreements with units of general local government or States or public agencies designated by units of general local government or State to provide technical assistance for the administration of urban homestead programs which meet the requirements of subsection (b) and to individuals and families who are participants in such programs.

(d) The Secretary is authorized to issue such rules and regulations as may be necessary to carry out his functions under this section.

(e) The Secretary shall conduct a continuing evaluation of programs carried out pursuant to this section and, beginning with the third year commencing after the date of enactment of this section, shall transmit to the Congress an annual report containing a summary of his evaluation of such programs and his recommendations for future conduct of such programs.

(f) In order to facilitate planning for purposes of this section, the Secretary and the Administrator of Veterans' Affairs<sup>1</sup> shall, upon request of a unit of general local government or a State or a public agency designated by a unit of general local government or a State, provide a listing of all unoccupied one- to four-family residences to which the Secretary or the Administrator<sup>2</sup> holds title and which are located within the geographic jurisdiction of such unit, State, or agency.

(g) To reimburse the housing loan funds for properties transferred pursuant to this section, and to carry out the provisions of subsection (c), there are authorized to be appropriated not to exceed \$5,000,000 for the fiscal year 1975, not<sup>3</sup> to exceed \$6,250,000 for the fiscal year 1976, and for the transition quarter, not to exceed \$15,000,000<sup>3</sup> for fiscal year 1977, not to exceed \$15,000,000<sup>3</sup> for the fiscal year 1978, and not to exceed \$26,000,000 for the fiscal year 1979.<sup>3</sup> Any amounts so appropriated shall remain available until expended.

<sup>1</sup> The Administration was added by Section 102(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 (1978).

<sup>2</sup> *Id.*

<sup>3</sup> Sec. 20 of the Housing Authorization Act of 1976, Public Law 95-375, approved August 3, 1976, 90 Stat. 1067, amended section 810(g) of the Housing and Community Development Act of 1974, by deleting "and not to exceed \$5,000,000 for the fiscal year 1976" and inserting in lieu thereof the following: "not to exceed \$6,250,000 for the fiscal year 1976, and for the transition quarter, not to exceed \$5,000,000 for fiscal year 1977, and not to exceed \$5,000,000 for the fiscal year 1978"; Supplemental Housing Authorization Act of 1977, Public Law 95-24 approved April 30, 1977, deleted "not to exceed \$5,000,000 for fiscal year 1977" and inserted in lieu thereof "not to exceed \$15,000,000 for fiscal year, 1977." Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "\$5,000,000" and inserted in lieu thereof "\$15,000,000." Amended by Sec. 102(b), Housing and Community Development Amendment of 1978, P.L. 95-557, 92 Stat. 2080 (1978).

## ASSISTANCE FOR HOUSING IN ALASKA

### EXCERPTS, DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966

[Public Law 89-754, 80 Stat. 1255, 1284; 42 U.S.C. 3371]

#### ASSISTANCE FOR HOUSING IN ALASKA

SEC. 1004 (a). The Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary') may make loans and grants on the basis of need to the regional native housing authorities duly constituted under the laws of the State of Alaska for the purpose of providing planning assistance, housing rehabilitation, and maintaining an adequate administrative structure in conjunction with the provision of housing and related facilities for Alaska residents.<sup>1</sup>

(b) Grants under this section shall not exceed 75 per centum of the aggregate cost of the housing and related facilities to be constructed under an approved program, except that the Secretary may make a grant in excess of such limitation in any case, after consultation with State officials.<sup>2</sup>

(c) There is authorized to be appropriated not to exceed \$10,000,-000<sup>3</sup> to carry out the purposes of this section.

Approved November 3, 1966.

<sup>1</sup> This subsection amends completely the former subsection (a), and was added by Sec. 904(a), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978. The subsection read formerly as follows:

(a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make loans and grants to the State of Alaska, or any duly authorized agency or instrumentality thereof, in accordance with a statewide program prepared by such State, agency, or instrumentality, and approved by the Secretary, to assist in the provision of housing and related facilities for Alaska natives and other Alaska residents who are otherwise unable to finance such housing and related facilities upon terms and conditions which they can afford. The program shall (1) specify the minimum and maximum standards for such housing and related facilities (not to exceed an average of \$10,875 per dwelling unit); (2) to the extent feasible, encourage the proposed users of such housing and related facilities to utilize mutual and self-help in the construction thereof; and (3) provide experience, and encourage continued participation, in self-government and individual home ownership.

<sup>2</sup> The phrase, "except that the Secretary may make a grant in excess of such limitation in any case, after consultation with State officials" was added by Housing and Community Development Amendments of 1978, Sec. 904(b), Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>3</sup> An appropriation of \$1 million was requested by the President in 1967, but denied by the Congress.

The Independent Offices and Department of HUD Appropriation Act, 1969, Public Law 90-550, approved October 4, 1968, 82 Stat. 937, 950, appropriated \$1 million for the purposes of sec. 1004.





## Puerto Rico and Virgin Islands

### TERRITORIAL ENABLING ACT OF 1950

[Public Law 615, 81st Cong.; 64 Stat. 344, 48 U.S.C. 480, 721, 910, 1408]

AN ACT To enable the governments of Alaska, of Hawaii, of Puerto Rico, and of the Virgin Islands to authorize public bodies or agencies to undertake slum clearance, urban redevelopment, and low-rent housing activities including the issuance of bonds and other obligations, to amend the low-rent housing enabling statutes for Alaska and Hawaii, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Territorial Enabling Act of 1950."

### TITLE I—SLUM CLEARANCE AND URBAN REDEVELOPMENT AND URBAN RENEWAL<sup>1</sup> IN ALASKA, HAWAII, AND PUERTO RICO

SEC. 101. The governments of Alaska, of Hawaii, and of Puerto Rico, each acting through its legislature, may create a public corporate authority or authorities and may authorize such authority or authorities or any other public corporate authority or any municipal corporation or political subdivision, acting directly or through any officer or agency thereof or through a public corporate authority, to undertake slum clearance and urban redevelopment projects and urban renewal projects and to do all things, exercise any and all powers, and to assume and fulfill any and all obligations, duties, responsibilities, and requirements, including but not limited to those relating to planning and zoning, necessary or desirable for receiving Federal assistance under title I of the Housing Act of 1949 (Public Law 171, Eighty-first Congress), as amended, or any other law, except that public corporate authorities (as distinct from municipalities or political subdivisions) created or authorized to operate in accordance with this Act, as amended, shall not be given any power of taxation or any power to pledge the full faith and credit of the people of the Territory, or municipality, or political subdivision, as the case may be, for any loan whatever. The Legislatures of Alaska, of Hawaii, and of Puerto Rico may, with respect to any public corporate authority or authorities empowered or which may be empowered to undertake slum clearance and urban redevelopment projects, and urban renewal projects, provide for the appointment and terms of office of the members thereof, and for the powers of such authorities, including authority to accept whatever benefits the Federal Government may make available for slum clearance and urban redevelopment projects, and urban renewal

<sup>1</sup> Sec. 107 of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 638, inserted "urban renewal."

projects and authority, notwithstanding any other Federal law, to borrow money and to issue notes, bonds, and other obligations of such character and maturity, with such security, and in such manner as the respective legislatures may provide. Such notes, bonds, and other obligations shall not be a debt of the United States, or of any Territory or municipal corporation or other political subdivision or agency thereof other than the public corporate authority which issued such notes, bonds, or obligations, nor constitute a debt, indebtedness, or the borrowing of money within the meaning of any limitation or restriction on the issuance of notes, bonds, or other obligations contained in any laws of the United States applicable to Alaska, Hawaii, or Puerto Rico, or to any municipal corporation or other political subdivision or agency thereof.

SEC. 102. The governments of Alaska, of Hawaii, and of Puerto Rico may assist slum clearance and urban redevelopment projects and urban renewal projects through cash donations, loans, conveyances of real and personal property, facilities, and services, and otherwise, and may authorize municipalities or other political subdivisions to make cash donations, loans, conveyances of real and personal property to public corporate authorities and to take other action, including but not limited to the making available or the furnishing of facilities and services, in aid of slum clearance and urban redevelopment projects.

SEC. 103. All legislation heretofore enacted by the Legislature of the Territory of Alaska, of Hawaii, and of Puerto Rico dealing with the subject matter of this Act and not inconsistent herewith is hereby ratified and confirmed.

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### TITLE III—SLUM CLEARANCE, URBAN REDEVELOPMENT, URBAN RENEWAL,<sup>1</sup> AND LOW-RENT HOUSING IN THE VIRGIN ISLANDS

SEC. 301. The government of the Virgin Islands, through its legislative assembly, may grant to a public corporate authority existing or to be created through said assembly, exclusive authority to undertake slum clearance, urban redevelopment, urban renewal,<sup>1</sup> and low-rent housing activities within the municipalities of the Virgin Islands. The legislative assembly may provide for the appointment<sup>2</sup> and terms of office of the members of such authority and for the powers of such authority, including authority to accept whatever benefits the Federal Government may make available under the Housing Act of 1949 (Public Law 171, Eighty-first Congress), as amended, or any other law, for projects contemplated by this Act, as amended, and to do all things, to exercise any and all powers, and to assume and fulfill any and all obli-

<sup>1</sup> Sec. 107 of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 638, inserted "urban renewal."

<sup>2</sup> An opinion of the Associate Solicitor, Territories, Wildlife and Parks, Department of the Interior, dated May 25, 1956, states that it is his view "that the Revised Organic Act of 1954 (68 Stat. 497, 48 U.S.C., sec. 1541) invests the Governor with full power and authority to appoint the members of the Housing Authority without the advice and consent of the Legislature."



gations, duties, responsibilities, and requirements including but not limited to those relating to planning or zoning, necessary or desirable for receiving such Federal assistance, except that such authority shall not be given any power of taxation, nor any power to pledge the faith and credit of the people of the Virgin Islands for any loan whatever.

SEC. 302. The legislative assembly may authorize such authority, any provision of the Virgin Islands Organic Act or any other Act of Congress to the contrary notwithstanding, to borrow money and to issue notes, bonds, and other obligations of such character and maturity, with such security, and in such manner as the legislative assembly may provide. Such notes, bonds, and other obligations shall not be a debt of the United States, or of the Virgin Islands or of any municipality or subdivision thereof, other than such authority, nor constitute "bonds and other obligations" within the meaning of the Act approved October 27, 1949 (Public Law 418, Eighty-first Congress), entitled "An Act to authorize the government of the Virgin Islands or any municipality thereof to issue bonds and other obligations", or a debt, indebtedness, or the borrowing of money within the meaning of any limitation or restriction on the issuance of notes, bonds, or other obligations contained in any laws of the United States applicable to the Virgin Islands or to any municipal corporation or other political subdivision or agency thereof.

SEC. 303. The government of the Virgin Islands, through its legislative assembly, may assist such authority with cash donations, loans, conveyances of real and personal property, facilities, and services, and otherwise, and may authorize municipalities and other subdivisions to make cash donations, loans, conveyances of real and personal property to such authority, and to take other action, including but not limited to, the making available or the furnishing of facilities and services, in aid of slum clearance, urban redevelopment, urban renewal,<sup>1</sup> or low-rent housing projects.

SEC. 304. Notwithstanding the limitation contained in the last sentence of section 110(d) or in any other provision of title I of the Housing Act of 1949 (Public Law 171, Eighty-first Congress), as amended, the Secretary of Housing and Urban Development is hereby authorized to allow and credit to such authority as may be created for the Virgin Islands under this Act, as amended, (1) such local grants-in-aid as are otherwise approvable pursuant to the first sentence of said section 110(d) with respect to any slum clearance and urban redevelopment or urban renewal<sup>1</sup> project or projects undertaken by such authority with Federal assistance made available under title I of the Housing Act of 1949, as amended, and (2) such grants-in-aid made or assistance given to the local community by any Federal department or agency pursuant to authority of law other than the Housing Act of 1949 which would, if made or given by a State or local community, be approvable pursuant to said first sentence of section 110(d) with respect to any such project or projects so undertaken.

SEC. 305. All legislation heretofore enacted by the legislative assem-

<sup>1</sup> Sec. 107 of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 638, inserted "urban renewal".

bly of the Virgin Islands dealing with any part of the subject matter of this Act and not inconsistent herewith is hereby ratified and confirmed.

SEC. 306. Powers granted herein shall be in addition to and not in derogation of any powers granted by other law to or for the benefit or assistance of any public corporate authority or municipality.

Approved July 18, 1950.

## PUERTO RICO

[Public Law 745, 75th Cong.; 52 Stat. 1203 48 U.S.C. 911 (1946 ed.)]

AN ACT To authorize the Legislature of Puerto Rico to create public corporate authorities to undertake slum clearance and projects, to provide dwelling accommodation for families of low income, and to issue bonds therefor; to authorize the legislature to provide for financial assistance to such authorities by the government of Puerto Rico and its municipalities and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Legislature of Puerto Rico may create public corporate authorities to undertake slum clearance and projects to provide dwelling accommodations for families of low income.

SEC. 2. The Legislature of Puerto Rico may provide for the appointment and terms of the commissioners of such authorities, and for the powers of such authorities, except that such authorities shall be given no power of taxation, and may authorize the commissioners of such authorities to fix the salaries of employees.

SEC. 3. The legislature may appropriate funds for and may make and authorize any municipality of Puerto Rico to make loans, donations, and conveyances of money or property to such authorities; may make and authorize any municipality of Puerto Rico to make available its facilities and services to such authorities and take other action in aid of slum clearance or low-rent housing; and may, without regard to any Federal Acts restricting the disposition of public property or lands in Puerto Rico, provide for the use by or disposal to such authorities of any public lands or other property held or controlled by the people of Puerto Rico, its municipalities, or other subdivisions.

SEC. 4. The legislature may authorize such authorities to issue bonds or other obligations with such security as the legislature may provide and may provide for the disposition of the proceeds of such bonds and all receipts and revenues of such authorities.

SEC. 5. Such bonds shall not be a debt of Puerto Rico or any municipality, and shall not constitute a public indebtedness within the meaning of section 3 of the Act of Congress approved March 2, 1917, entitled "An Act to provide a civil government for Puerto Rico, and for other purposes", as amended.

SEC. 6. All legislation heretofore enacted by the Legislature of Puerto Rico dealing with the subject matter of this Act and not inconsistent herewith is hereby ratified and confirmed.

Approved June 25, 1938.



## TERRITORIES

### VIRGIN ISLANDS

[Public Law 418, 81st Cong.; 63 Stat. 940, 48 U.S.C. 1403]

AN ACT To authorize the government of the Virgin Islands or any municipality thereof to issue bonds and other obligations<sup>1</sup>

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That to construct, improve, extend, better, repair, reconstruct, acquire, and operate any and all types of public works which shall include, but not be limited to, streets, bridges, wharves, and harbor facilities, sewers and sewage-disposal plants, municipal buildings, schools, libraries, gymnasias and athletic fields, fire houses, electric distribution systems or other work pertaining to electric systems, and other public utilities, including those owned or operated by the Saint Thomas Power Authority, or to clear slums, accomplish urban redevelopment or provide low-rent housing, negotiable general obligation bonds and other obligations may be issued by the government of the Virgin Islands or any municipality thereof: *Provided*, That no public indebtedness of any municipality thereof shall be incurred in excess of 10 per centum of the aggregate assessed valuation of the taxable real property in such municipality and that no public indebtedness of the government of the Virgin Islands shall be incurred in excess of 10 per centum of the aggregate assessed valuation of the taxable real property in the islands. Bonds issued pursuant to this Act shall bear such date or dates, may be in such denominations, may mature in such amounts and at such time or times, not exceeding thirty years from the date thereof, may be payable at such place or places, may be sold at either public or private sale, may be redeemable (either with or without premium) or nonredeemable, may carry such registration privileges as to either principal and interest, or principal only, and may be executed by such officers and in such manner, as shall be prescribed by the government of the Virgin Islands or of the municipality issuing the bonds. In case any of the officers whose signatures appear on the bonds or coupons shall cease to be such officers before delivery of such bonds, such signature, whether manual or facsimile, shall, nevertheless, be valid and sufficient for all purposes, the same as if such officers had remained in office until such delivery. The bonds so issued shall bear interest at a rate not to exceed 4 per centum per annum, payable semiannually. All such bonds shall be sold for not less than the principal amount thereof plus accrued interest. All bonds issued by the government of the Virgin Islands or any municipality thereof including specifically interest thereon, shall be exempt from taxation by the Government of the United States, or by the government of the

<sup>1</sup> The Department of the Interior has construed sec. 8(b) of the Revised Organic Act of the Virgin Islands of 1954 as having terminated the authority of the government of the Virgin Islands to issue general obligation bonds. Public Law 88-180, approved November 19, 1963, 77 Stat. 335, 336, reinstated this authority (which had been granted by Congress in 1949 but omitted from the Revised Organic Act of 1954) to include the construction, reconstruction, repair, acquisition, and equipment of hospitals, schools, libraries, gymnasias, athletic fields, sewers, sewage disposal plants, and water systems. H.R. 1989, which became Public Law 88-180, was amended by the House to exclude from the authority to issue general obligation bonds certain types of projects including slum clearance, urban redevelopment, and low-rent public housing. No attempt was made in the Senate to restore this language.



Virgin Islands or any political subdivision thereof, or by any State, Territory, or possession or by any political subdivision of any State, Territory, or possession, or by the District of Columbia: *Provided further*, That the government of the Virgin Islands and any municipality thereof shall be obliged to levy and collect sufficient taxes for servicing any of the outstanding bonds, even if such taxation is required at a rate in excess of or in addition to the tax or tax rate of 1.25 per centum of the assessed value which is provided for in section 3 of the Act of May 26, 1936 (49 Stat. 1372).

SEC. 2. The proceeds of the bond issues or other obligations herein authorized shall be expended only for the public improvements set forth in section 1 of this Act, or for the reduction of the debt created by such bond issue or obligation, unless otherwise authorized by the Congress.

SEC. 3. Bonds or other obligations issued pursuant to this Act shall not be a debt of the United States, nor shall the United States be liable thereon.

Approved October 27, 1949.

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## GUAM

[Public Law 88-171, 77 Stat. 304, 48 U.S.C. 1425a]

AN ACT To permit the government of Guam to authorize a public authority to undertake urban renewal and housing activities

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the Legislature of Guam may by law grant to a public corporate authority, existing or to be created by or under such law, powers to undertake urban renewal and housing activities in Guam. Such legislature may by law provide for the appointment, terms of office, or removal of the members of such authority and for the power of such authority, including authority to accept whatever benefits the Federal Government may make available, and to do all things, to exercise any and all powers, and to assume and fulfill any and all obligations, duties, responsibilities, and requirements, including but not limited to those relating to planning or zoning, necessary or desirable for receiving such Federal assistance, except that such authority shall not be given any power of taxation, nor any power to pledge the faith and credit of the territory of Guam for any loan whatever.

SEC. 2. The Legislature of Guam may by law authorize such authority, any provision of the Organic Act of Guam, or any other Act of Congress to the contrary notwithstanding, to borrow money and to issue notes, bonds, and other obligations of such character and maturity, with such security, and in such manner as the legislature may provide. Such notes, bonds, and other obligations shall not be a debt of the United States, or of Guam other than such authority, nor constitute a debt, indebtedness, or the borrowing of money within the meaning of any limitation or restriction on the issuance of notes, bonds, or other obligations contained in any laws of the United States applicable to Guam or to any agency thereof.

SEC. 3. The Legislature of Guam may by law assist such authority by furnishing, or authorizing the furnishing of cash donations, loans, conveyances of real and personal property, facilities, and services, and otherwise, and may by law take other action in aid of urban renewal or housing or related activities.

SEC. 4. Each and every part of Public Law 6-135, approved December 18, 1962, heretofore enacted by the Legislature of Guam dealing with any part of the subject matter of this Act and not inconsistent herewith is ratified and confirmed.

SEC. 5. Powers granted herein shall be in addition to, and not in derogation of, any powers granted by other law to, or for the benefit or assistance of, any public corporate authority.

Approved November 4, 1963.

## EXCERPTS FROM TERRITORIES OF THE UNITED STATES APPROPRIATION AUTHORIZATION [Public Law 95-134, 91 Stat. 1159]

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### TITLE V

SEC. 501. In order to minimize the burden caused by existing application and reporting procedures for certain grant-in-aid programs available to the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands (hereafter referred to as "Insular Areas") it is hereby declared to be the policy of the Congress that:

(a) Notwithstanding any provision of law to the contrary, any department or agency of the Government of the United States which administers any Act of Congress which specifically provides for making grants to any Insular Area under which payments received may be used by such Insular Area only for certain specified purposes (other than direct payments to classes of individuals) may, acting through appropriate administrative authorities of such department or agency, consolidate any or all grants made to such area for any fiscal year or years.

(b) Any consolidated grant for any insular area shall not be less than the sum of all grants which such area would otherwise be entitled to receive for such year.

(c) The funds received under a consolidated grant shall be expended in furtherance of the programs and purposes authorized for any of the grants which are being consolidated, which are authorized under any of the Acts administered by the department or agency making the grant, and which would be applicable to grants for such programs and purposes in the absence of the consolidation, but the Insular Areas shall determine the proportion of the funds granted which shall be allocated to such programs and purposes.

(d) Each department or agency making grants-in-aid shall, by regulations published in the Federal Register, provide the method by which any Insular Area may submit (i) a single application for a consolidated grant for any fiscal year period, but not more than one such application for a consolidated grant shall be required by any department or agency unless notice of such requirement is transmitted to the appropriate committees of the United States Congress together

with a complete explanation of the necessity for requiring such additional applications and (ii) a single report to such department or agency with respect to each such consolidated grant: *Provided*, That nothing in this paragraph shall preclude such department or agency from providing adequate procedures for accounting, auditing, evaluating, and reviewing any programs or activities receiving benefits from any consolidated grant. The administering authority of any department or agency, in its discretion, may (i) waive any requirement for matching funds otherwise required by law to be provided by the Insular Area involved and (ii) waive the requirement that any Insular Area submit an application or report in writing with respect to any consolidated grant.

Approved October 15, 1977.



## EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1970

[Public Law 91-609, 84 Stat. 1784; 12 U.S.C. 1701z-1]

## TITLE V—RESEARCH AND TECHNOLOGY

## RESEARCH AND DEMONSTRATIONS

SEC. 501. The Secretary of Housing and Urban Development is authorized and directed to undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as he determines to be necessary and appropriate. There<sup>1</sup> are authorized to be appropriated for activities under this title not to exceed \$65,000,000 for the fiscal year 1977, and not to exceed \$60,000,000 for the fiscal year 1978, and not to exceed \$62,000,000 for the fiscal year 1979.<sup>2</sup> All funds so appropriated shall remain available until expended unless specifically limited.

## GENERAL PROVISIONS

SEC. 502. (a) The Secretary shall require, to the greatest extent feasible, the employment of new and improved technologies, methods, and materials in housing construction, rehabilitation, and maintenance under programs administered by him with a view to reducing costs, and shall encourage and promote the acceptance and application of such advanced technology, methods, and materials by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public. To the extent feasible, in connection with the construction, major rehabilitation, or maintenance of any housing assisted under section 501, the Secretary shall assure that there is no restraint by contract, building code, zoning ordinance, or practice against the employment of new or improved technologies, techniques, materials, and methods or of preassembled products which may reduce the cost or improve the quality of such construction, rehabilitation, and maintenance, and therefore stimulate expanded production of housing, except where such restraint is necessary to insure safe and healthful working and living conditions.

(b) To encourage large-scale experimentation in the use of new technologies, methods, and materials, with a view toward the ultimate mass production of housing and related facilities, the Secretary shall wherever feasible conduct programs under section 501 in which qualified organizations, public and private, will submit plans for development and production of housing and related facilities using such new advances on Federal land which has been made available or acquired by the Secretary for the purpose of this subsection or on other land

<sup>1</sup> Sec. 23(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 501 of the Housing and Redevelopment Act of 1970, by deleting the second sentence and inserting in lieu thereof the following: "There are authorized to be appropriated for activities under this title not to exceed \$65,000,000 for the fiscal year 1977". Prior to this amendment, this sentence read as follows: "In order to carry out activities under this section there are authorized to be appropriated such sums as may be necessary".

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended sec. 501 by inserting after the words "fiscal year 1977" the phrase "and not to exceed \$60,000,000 for the fiscal year 1978." The phrase "and not to exceed \$62,000,000 for the fiscal year 1979" was added by Housing and Community Development Amendments of 1978, Section 305, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

where (1) local building regulations permit such experimental construction, or (2) necessary variances from building regulations can be granted. The Secretary may utilize the funds and authority available to him under the provisions of section 501 to assist in the implementation of plans which he approves.

(c) Notwithstanding any other provision of law, the Secretary is authorized, in connection with projects under this title, to acquire, use and dispose of any land and other property required for the project as he deems necessary. Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of subsection (b) may be transferred to the Secretary upon his request.

(d) In order to effectively carry out his activities under section 501, the Secretary is authorized to provide such advice and technical assistance as may be required and to pay for the cost of writing and publishing reports on activities and undertakings financed under section 501, as well as reports on similar activities and undertakings, not so financed, which are of significant value in furthering the purposes of that section. He may disseminate (without regard to the provisions of section 3204 of title 39, United States Code, or section 4154 of such title with respect to any period before the effective date of such section 3204 as provided in section 15(a) of the Postal Reorganization Act) any reports, data, or information acquired or held under this title, including related data and information otherwise available to the Secretary through the operation of the programs and activities of the Department of Housing and Urban Development, in such form as he determines to be most useful to departments, establishments, and agencies of Federal, State, and local governments, to industry, and to the general public.

(e) The Secretary is authorized to carry out the functions authorized in section 501 either directly or, without regard to section 3709 of the Revised Statutes, by contract or by grant. Advance and progress payments may be made under such contracts or grants without regard to the provisions of section 3648 of the Revised Statutes and such contracts or grants may be made for work to continue for not more than four years from the date thereof.

(f) In carrying out activities under section 501, the Secretary shall utilize to the fullest extent feasible the available facilities of other Federal departments and agencies, and shall consult with, and make recommendations to, such departments and agencies. The Secretary may enter into working agreements with such departments and agencies and contract or make grants on their behalf or have such departments and agencies contract or make grants on his behalf and such departments and agencies are hereby authorized to execute such contracts and grants.<sup>1</sup> The Secretary is authorized to make or accept reimbursement for the cost of such activities. The Secretary is further authorized to undertake activities under this title under cooperative agreements with industry and labor, agencies of State or local governments, educational institutions, and other organizations. He may enter

<sup>1</sup> Sec. 23(c) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 502(f) of the Housing and Urban Development Act of 1970 by striking the period at the end of the second sentence and adding the following: "and such departments and agencies are hereby authorized to execute such contracts and grants".



into contracts with and receive funds from such agencies, institutions, and organizations, and may exercise any of the other powers vested in him by section 502(c) of the Housing Act of 1948.

(g) The Secretary is authorized to request and receive such information or data as he deems appropriate from private individuals and organizations, and from public agencies. Any such information or data shall be used only for the purposes for which it is supplied, and no publication shall be made by the Secretary whereby the information or data furnished by any particular person or establishment can be identified, except with the consent of such person or establishment.

#### REPEAL OF EXISTING RESEARCH AUTHORITIES

SEC. 503. Effective July 1, 1971, the following provisions of law are repealed; except that such repeal shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date:

- (1) title III of the Housing Act of 1948;
- (2) section 314 of the Housing Act of 1954;
- (3) section 602 of the Housing Act of 1956;
- (4) section 207 of the Housing Act of 1961;
- (5) section 301 of the Housing and Urban Development Act of 1965;
- (6) sections 1010 and 1011 of the Demonstration Cities and Metropolitan Development Act of 1966; and
- (7) section 1714(b) of the Housing and Urban Development Act of 1968.

#### HOUSING ALLOWANCES

SEC. 504. (a) The Secretary is authorized to undertake on an experimental basis programs to demonstrate the feasibility of providing housing allowance payments to assist families in meeting rental or homeownership expenses.

(b) <sup>1</sup> No housing allowance payments shall be made after July 1, 1985. After January 1, 1975, the Secretary shall not enter into contracts under the United States Housing Act of 1937 to carry out the purposes of this section. The Secretary may contract with public or private agencies for the performance of administrative functions in connection with the programs authorized by this section.

(c) The Secretary shall report to the Congress on his findings pursuant to this section not later than eighteen months after the enactment of the Housing and Community Development Act of 1974.<sup>2</sup>

#### DEMONSTRATION WITH RESPECT TO ABANDONED PROPERTIES

SEC. 505. (a) In carrying out activities under section 501, the Secretary may undertake programs to demonstrate the most feasible means of providing assistance to localities in which a substantial num-

<sup>1</sup> Sec. 23(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, deleted the first, third and fourth sentences of section 504(b). Prior to this amendment this language read as follows:

"For the purpose of carrying out this section, the Secretary is authorized to make, and to contract to make, housing allowance payments to or on behalf of participating families. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make payments as provided for in contracts entered into under this section and such sums as may be necessary to cover administrative costs. The aggregate amount of contracts to make housing allowance payments shall not exceed amounts approved in appropriations Acts, and payments pursuant to such contracts shall not exceed \$40,000,000 per annum."

<sup>2</sup> Sec. 804 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 504.



ber of structures are abandoned or are threatened with abandonment for the purpose of arresting the process of housing abandonment in its incipency or in restoring viability to blighted areas in which abandonment is pervasive. For this purpose, the Secretary is authorized to make grants, subject to the limitations of this section, to assist local public bodies in planning and implementing demonstration projects for prompt and effective action in alleviating and preventing such abandonment in designated demonstration areas.

(b) In administering this section, the Secretary shall give preference to those demonstration projects which in his judgment can reasonably be expected to arrest the process of abandonment in the demonstration area within a period of two years and which provide for innovative approaches to combating the problem of housing abandonment. Such projects may include, but shall not be limited to (1) acquisition by negotiated purchase, lease, receivership, tax lien proceedings, or other means authorized by law and satisfactory to the Secretary, of real property within the demonstration area or areas which is abandoned, deteriorated, or in violation of applicable code standards; (2) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, public buildings to meet needs consistent with the revitalization and continued use of the area; (3) the demolition of structures determined to be structurally unsound or unfit for human habitation or which contribute adversely to the physical or social environment of the locality involved; (4) the establishment of recreational or community facilities including public playgrounds; (5) the improvement of garbage and trash collection, street cleaning and other essential services necessary to the revitalization and maintenance of the area; (6) the rehabilitation of privately and publicly owned real property by the locality; and (7) the establishment and operation of locally controlled, nonprofit housing management corporations and municipal repair programs.

(c) Subject to such conditions as the Secretary may prescribe, real property held as part of a project assisted under this section may be made available to (1) a limited dividend corporation, nonprofit corporation, or association, cooperative or public body or agency, or other approved purchaser or lessee, or (2) a purchaser who would be eligible for a mortgage insured under section 221(d)(3) or (d)(4), section 221(h)(1), section 235(i) or (i)(1), or section 236 of the National Housing Act, for purchase or lease at fair market value for use by such purchaser or lessee, as, or in the provision of, new or rehabilitated housing for occupancy by families or individuals of low or moderate income.

(d) Grants under this section shall be in amounts which do not exceed 90 per centum of the net project cost as determined by the Secretary. There are authorized to be appropriated for demonstration grants under this section not to exceed \$20,000,000 for the fiscal year ending June 30, 1971. Any amounts appropriated shall remain available until expended and any amount authorized but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1972. Not more than one-third of the aggregate amount of grants made in any fiscal year under this section shall be made with respect to projects undertaken by one locality.

(e) The provisions of sections 106, 114, and 115 of Title I of the Housing Act of 1949, and section 312 of the Housing Act of 1964, may

apply to projects assisted under this Act as if such projects were being carried out in urban renewal areas as part of urban renewal projects within the meaning of section 110 of the Housing Act of 1949.

(f) The Secretary shall report annually to the Congress with respect to the status of demonstration projects funded by him and shall make such recommendations to the Congress as he deems necessary to further the purposes of this section.

#### SOLAR ENERGY

SEC. 506.<sup>1</sup> (a) In carrying out activities under section 501, the Secretary may, after consultation with the National Science Foundation, undertake demonstrations to determine the economic and technical feasibility of utilizing solar energy for heating or cooling residential housing (including demonstrations of new housing design or structure involving the use of solar energy). Demonstrations carried out under this section should involve both single family and multifamily housing located in areas having distinguishable climatic characteristics in urban as well as rural environments. To carry out the purpose of this section the Secretary is authorized—

(1) to enter into contracts with, to make grants to, and to provide other types of assistance to individuals and entities with special competence and knowledge to contribute to the planning, design, development, and operation of such housing;

(2) to utilize the contract, loan, or mortgage insurance authority of any federally assisted housing program in the actual planning, development, and occupancy of such housing; and

(3) to set aside any development, construction, design, or occupancy requirements for the purpose of any demonstration under this section if he determines that such requirements inhibit such demonstration.

(b) The Secretary shall include in any demonstration under this section an evaluation of the demonstration to cover the full experience involved in all stages of the demonstration.

(c) The Secretary shall transmit to the Congress not later than 6 months following the close of any year in which he carries out a demonstration under this section a full report on such demonstration. Such report may include an evaluation of the economic and technological feasibility of the widespread application of solar energy to residential housing.

#### ADDITIONAL RESEARCH AUTHORITY

SEC. 507.<sup>2</sup> (a) In carrying out activities under section 501, the Secretary may undertake special demonstrations to determine the housing design, the housing structure, and the housing-related facilities, and amenities most effective or appropriate to meet the needs of groups with special housing needs including the elderly, the handicapped, the displaced, single individuals, broken families, and large households. For this purpose, the Secretary is authorized to enter into contracts with, to make grants to, and to provide other types of assistance to individuals and entities with special competence and knowledge to contribute

<sup>1</sup> Sec. 814 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new section 506.

<sup>2</sup> Sec. 815 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this new section 507.



to the planning, development, design, and management of such housing.

(b) In carrying out his functions under this section, the Secretary shall give preferential attention to demonstrations which in his judgment involve areas of housing user needs most neglected in past and current research and demonstration efforts.

(c) The Secretary is authorized to undertake demonstrations involving the actual planning, development, and occupancy of housing utilizing the contract and loan authority of any federally assisted housing program. He is also authorized to set aside any development, construction, design, and occupancy requirements, for the purposes of these demonstrations, if in his judgment they inhibit the testing of housing designed to meet the special housing needs.

(d) In carrying out this section, the Secretary shall include, as part of any demonstration, an evaluation of the demonstration to cover the full experience involved in planning, development, and occupancy.

(e) In addition to any other contract or loan authority which the Secretary may utilize under subsection (c), not more than \$10,000,000 from amounts approved in appropriation Acts shall be available for research under this section.

#### COUNSELING TO MORTGAGORS

SEC. 508.<sup>1</sup> (a) In carrying out activities under section 501, the Secretary is directed to undertake programs of studies and demonstrations within at least three standard metropolitan statistical areas to determine the extent of need for and cost effectiveness of providing pre-purchase, default and delinquency counseling and related services to owners and purchasers of single-family dwellings insured or to be insured under the unsubsidized mortgage insurance programs of the National Housing Act.

(b) Within one year from enactment of this section, the Secretary shall submit an interim report to the Congress with respect to the progress made under such studies and demonstrations, including an estimate as to the date when a final report on the results of such demonstrations will be made available to the Congress.

\* \* \* \* \*

#### CONVERSIONS

SEC. 510. In carrying out activities under section 501, the Secretary is authorized to conduct demonstrations to determine the feasibility of expanding homeownership opportunities in urban areas and encouraging the creation and maintenance of decent, safe, and sanitary housing in such areas by utilizing techniques including, but not limited to, the conversion of multifamily housing properties to condominium or cooperative ownership by individuals and families.<sup>2</sup>

<sup>1</sup> Sec. 26 of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended title V of the Housing and Urban Development Act of 1970 by adding at the end thereof a new section 508.

<sup>2</sup> Added by Housing and Community Development Amendments of 1978, Sec. 305(b), P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.



## REHABILITATION GUIDELINES

SEC. 511. (a) (1) The Secretary shall develop model rehabilitation guidelines for the voluntary adoption by States and communities to be used in conjunction with existing building codes by State and local officials in the inspection and approval of rehabilitated properties.

(2) Such guidelines shall be developed in consultation with the National Institute of Building Sciences, appropriate national organizations of agencies and officials of State and local governments, representatives of the building industry, and consumer groups, and other interested parties.

(3) The Secretary shall publish such guidelines for public comment not later than one year after the date of enactment of this section, and promulgate them no later than eighteen months after such date of enactment.

(4) The Secretary may furnish technical assistance to State and local governments to facilitate the use and implementation of such guidelines.

(b) The Secretary shall report to Congress not later than thirty-six months after the date of enactment of this section regarding (1) actions taken by State and local governments to adopt guidelines or their equivalents, and (2) recommendations for further action.<sup>1</sup>

\* \* \* \* \*

Approved December 31, 1970.

## EXCERPT FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476]

## SELF-HELP STUDIES

SEC. 1714.\* \* \*

(b)<sup>2</sup> Repealed. The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

Approved August 1, 1968.

## SOLAR HEATING AND COOLING DEMONSTRATION ACT OF 1974

[Public Law 93-409, 88 Stat. 1069]

AN ACT To provide for the early development and commercial demonstration of the technology of solar heating and combined solar heating and cooling systems

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That this Act may be cited as the "Solar Heating and Cooling Demonstration Act of 1974".

<sup>1</sup> Added by Housing and Community Development Amendments of 1978, sec. 903, P.L. 95-557, 92 Stat. 2080, approved Oct. 1, 1978.

<sup>2</sup> Sec. 1714(b) repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1786. However, sec. 503, Housing and Urban Development Act of 1970, provides that this repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).

## FINDINGS AND POLICY

## SEC. 2. (a) The Congress hereby finds that—

(1) the current imbalance between supply and demand for fuels and energy is likely to persist for some time;

(2) the early demonstration of the feasibility of using solar energy for the heating and cooling of buildings could help to relieve the demand upon present fuel and energy supplies;

(3) the technologies for solar heating are close to the point of commercial application in the United States;

(4) the technologies for combined solar heating and cooling still require research, development, testing and demonstration, but no insoluble technical problem is now foreseen in achieving commercial use of such technologies;

(5) the early development and export of viable solar heating equipment and combined solar heating and cooling equipment, consistent with the established preeminence of the United States in the field of high technology products, can make a valuable contribution to our balance of trade;

(6) the widespread use of solar energy in place of conventional methods for the heating and cooling of buildings would have a significantly beneficial effect upon the environment;

(7) the mass production and use of solar heating and cooling equipment will help to eliminate the dependence of the United States upon foreign energy sources and promote the national defense;

(8) the widespread introduction of low-cost solar energy will be beneficial to consumers in a period of rapidly rising fuel cost;

(9) innovation and creativity in the development of solar heating and combined solar heating and cooling components and systems can be fostered through encouraging direct contact between the manufacturers of such systems and the architects, engineers, developers, contractors, and other persons interested in installing such systems in buildings;

(10) evaluation of the performance and reliability of solar heating and combined solar heating and cooling technologies can be expedited by testing under carefully controlled conditions; and

(11) commercial application of solar heating and combined solar heating and cooling technologies can be expedited by early commercial demonstration under practical conditions.

(b) It is therefore declared to be the policy of the United States and the purpose of this Act to provide for the demonstration within a three-year period of the practical use of solar heating technology, and to provide for the development and demonstration within a five-year period of the practical use of combined heating and cooling technology.

## DEFINITIONS

## SEC. 3. For purposes of this Act—

(1) the term “solar heating”, with respect to any building, means the use of solar energy to meet such portion of the total heating needs of such building (including hot water), or such portion of the needs of such building for hot water (where its remaining heating needs are met by other methods), as may be

required under performance criteria prescribed by the Secretary of Housing and Urban Development utilizing the services of the Director of the National Bureau of Standards, and in consultation with the Director of the National Science Foundation, and the Administrator of the National Aeronautics and Space Administration;

(2) the terms "solar heating and cooling" and "combined solar heating and cooling", with respect to any building, mean the use of solar energy to provide both such portion of the total heating needs of such building (including hot water) and such portion of the total cooling needs of such building, or such portion of the needs of such building for hot water (where its remaining heating needs are met by other methods) and such portion of the total cooling needs of a building, as may be required under performance criteria prescribed by the Secretary of Housing and Urban Development utilizing the services of the Director of the National Bureau of Standards, and in consultation with the Director of the National Science Foundation, and the Administrator of the National Aeronautics and Space Administration, and such term includes cooling by means of nocturnal heat radiation, by evaporation, or by other methods of meeting peakload energy requirements at nonpeakload times;

(3) the term "residential dwelling" includes previously occupied and new single family and multifamily dwellings, mobile homes, and publicly assisted housing owned by a private sponsor or a State or local housing authority not covered by section 17;

(4) the term "Administrator" means the Administrator of the National Aeronautics and Space Administration;

(5) the term "Secretary" means the Secretary of Housing and Urban Development; and

(6) the term "Director" means the Director of the National Science Foundation.

#### CONDUCT OF ACTIVITIES IN SOLAR HEATING AND COOLING TECHNOLOGIES BY NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

SEC. 4. Section 203 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2473) is amended by redesignating subsection (b) as subsection (c), and by inserting immediately after subsection (a) the following new subsection:

"(b) The Administration shall initiate, support, and carry out such research, development, demonstrations, and other related activities in solar heating and cooling technologies (to the extent that funds are appropriated therefor) as are provided for in sections 5, 6, and 9 of the Solar Heating and Cooling Demonstration Act of 1974."

#### DEVELOPMENT AND DEMONSTRATION OF SOLAR HEATING SYSTEMS TO BE USED IN RESIDENTIAL DWELLINGS

SEC. 5. (a) The Administrator and the Secretary shall promptly initiate and carry out a program, as provided in this section, for the development and demonstration of solar heating systems (including collectors, controls, and thermal storage) for use in residential dwellings.



(b) (1) Within 120 days after the date of the enactment of this Act, the Secretary, utilizing the services of the Director of the National Bureau of Standards and in consultation with the Administrator and the Director, shall determine, prescribe, and publish—

(A) interim performance criteria for solar heating components and systems to be used in residential dwellings, and

(B) interim performance criteria (relating to suitability for solar heating) for such dwellings themselves, taking into account in each instance climatic variations existing between different geographic areas.

(2) As soon as possible after the publication of the performance criteria prescribed under paragraph (1), the Secretary, in consultation with the Director of the National Bureau of Standards and the Administrator, will select on the basis of open competition a number of designs for various types of residential dwellings suitable for and adapted to the installation of solar heating systems meeting the performance criteria prescribed under paragraph (1) (A).

(c) The Administrator, in accordance with the applicable provisions of title II of the National Aeronautics and Space Act of 1958 and under program guidelines established jointly by the Administrator and the Secretary, shall, after consultation with the Secretary—

(1) enter into such contracts and grants as may be necessary or appropriate for the development (for commercial production and residential use) of solar heating systems meeting the performance criteria prescribed under subsection (b) (1) (A) (including any further planning and design which may be required to conform with the specifications set forth in such criteria); and

(2) enter into contracts with a number of persons or firms for the procurement of solar heating components and systems meeting such performance criteria (including adequate numbers of spare and replacement parts for such systems).

(d) The Secretary shall (1) arrange for the installation of solar heating systems procured by the Administrator under subsection (c) (2) in a substantial number of residential dwellings and (2) provide for the satisfactory operation of such installations during the demonstration period. Title to and ownership of any dwellings constructed hereunder and of solar heating systems installed hereunder may be conveyed to purchasers or owners of such dwellings under terms and conditions prescribed by the Secretary, including an express agreement that any such purchaser or owner shall, in such manner and form and on such terms and conditions as the Secretary may prescribe, observe and monitor (or permit the Secretary to observe and monitor) the performance and operation of such system for a period of five years, and that such purchaser or owner (including any subsequent owner and occupant of the property who also makes such an agreement) shall regularly furnish the Secretary with such reports thereon as the agreement may require.

(e) The Secretary of Defense shall arrange for the installation of solar heating systems procured by the Administrator under subsection (c) (2) in a substantial number of residential dwellings which are located on Federal or federally administered property where the performance and operation of such systems can be regularly and effectively observed and monitored by designated Federal personnel.

(f) The Secretary and the Secretary of Defense, and officials

responsible for administering Federal or federally administered property, shall coordinate their activities under this section to assure that solar heating systems are installed in a substantial number of residential dwellings and in a sufficient number of different geographic areas under varying climatic conditions to constitute a realistic and effective demonstration in support of the objectives of this Act.

DEVELOPMENT AND DEMONSTRATION OF COMBINED SOLAR HEATING AND COOLING SYSTEMS TO BE USED IN RESIDENTIAL DWELLINGS

SEC. 6. (a) The Administrator and the Secretary shall promptly initiate and carry out a program, as provided in this section, for the development and demonstration of combined solar heating and cooling systems (including collectors, controls, and thermal storage) for use in residential dwellings.

(b) (1) As soon as possible after the date of the enactment of this Act, the Secretary, utilizing the services of the Director of the National Bureau of Standards and in consultation with the Administrator and the Director, shall determine, prescribe, and publish—

(A) interim performance criteria for combined solar heating and cooling components and systems to be used in residential dwellings, and

(B) interim performance criteria (relating to suitability for solar heating and cooling) for such dwellings themselves, taking into account in each instance climatic variations existing between different geographic areas.

(2) As soon as possible after the publication of the performance criteria prescribed under paragraph (1) (and if possible before the completion of the research and development provided for in subsection (c)), the Secretary, in consultation with the Director of the National Bureau of Standards and the Administrator, will select on the basis of open competition a number of designs for various types of residential dwellings suitable for and adapted to the installation of combined solar heating and cooling systems meeting the performance criteria prescribed under paragraph (1) (A).

(c) During the period immediately following the publication of performance criteria under subsection (b) (1), the Administrator, in coordination with the Director, shall undertake and conduct with respect to solar heating and cooling a program of research, development, and testing designed to provide the additional technological resources necessary for the development and commercial application of combined solar heating and cooling systems as contemplated by the program under this section.

(d) The Administrator, in accordance with the applicable provisions of title II of the National Aeronautics and Space Act of 1958 and under program guidelines established jointly by the Administrator and the Secretary, and at the earliest possible time during or immediately after the period specified in subsection (c), shall, after consultation with the Secretary—

(1) enter into such contracts and grants as may be necessary or appropriate for the development (for commercial production and residential use) of combined solar heating and cooling systems meeting the performance criteria prescribed under subsection (b) (1) (A) (including any further planning and design which



may be required to conform with the specifications set forth in such criteria or to reflect the results of the activities conducted under subsection (c) ; and

(2) enter into contracts with a number of persons or firms for the procurement of combined solar heating and cooling systems meeting such performance criteria (including adequate numbers of spare and replacement parts for such systems).

(e) The Secretary shall (1) arrange for the installation of combined solar heating and cooling systems procured by the Administrator under subsection (d) (2) in a substantial number of residential dwellings and (2) provide for the satisfactory operation of such installations during the demonstration period. Title to and ownership of any dwellings constructed hereunder and of combined solar heating and cooling systems installed hereunder may be conveyed to purchasers or owners of such dwellings under terms and conditions prescribed by the Secretary, including an express agreement that any such purchaser or owner shall, in such manner and form and on such terms and conditions as the Secretary may prescribe, observe and monitor (or permit the Secretary to observe and monitor) the performance and operation of such system for a period of five years, and that such purchaser or owner (including any subsequent owner and occupant of the property who also makes such an agreement) shall regularly furnish the Secretary with such reports thereon as the agreement may require.

(f) The Secretary of Defense shall arrange for the installation of combined solar heating and cooling systems procured by the Administrator under subsection (d) (2) in a substantial number of residential dwellings which are located on Federal or federally administered property where the performance and operation of such systems can be regularly and effectively observed and monitored by designated Federal personnel.

(g) The Secretary and the Secretary of Defense, and officials responsible for administering Federal or federally administered property, shall coordinate their activities under this section to assure that combined solar heating and cooling systems are installed in a substantial number of residential dwellings and in a sufficient number of geographic areas under varying climatic conditions to constitute a realistic and effective demonstration in support of the objectives of this Act.

#### COMPREHENSIVE PROGRAM DEFINITION

SEC. 7. (a) The Administrator and the Secretary are authorized and directed to prepare a comprehensive plan for the conduct of the development and demonstration activities under sections 5 and 6. In the preparation of such plan, the Administrator and Secretary shall consult with the Director of the National Bureau of Standards, the Director, the Secretary of Defense, and other Federal agencies and private organizations as appropriate.

(b) The Administrator and the Secretary shall transmit such comprehensive program plan to the President and to each House of the Congress. The plan shall be transmitted within 120 days after the date of the enactment of this Act.



## TEST PROCEDURES AND DEFINITIVE PERFORMANCE CRITERIA

SEC. 8. As soon as feasible, and utilizing data available from the demonstration programs under sections 5 and 6, the Secretary, utilizing the services of the Director of the National Bureau of Standards and in consultation with the Administrator and the Director shall determine, prescribe, and publish in the Federal Register in accordance with the applicable provisions regarding rulemaking prescribed by section 553 of title 5, United States Code—

(1) definitive performance criteria for solar heating and combined solar heating and cooling components and systems to be used in residential dwellings, taking into account climatic variations existing between different geographic areas;

(2) definitive performance criteria (relating to suitability for solar heating and for combined solar heating and cooling) for such dwellings, taking into account climatic variations existing between different geographic areas; and

(3) procedures whereby manufacturers of solar heating and combined solar heating and cooling components and systems shall have their products tested in order to provide certification that such products conform to the performance criteria established under paragraph (1).

## DEVELOPMENT AND DEMONSTRATION OF SOLAR HEATING AND COMBINED SOLAR HEATING AND COOLING SYSTEMS FOR COMMERCIAL BUILDINGS

SEC. 9. The Administrator, in consultation with the Secretary, the Director, the Administrator of General Services, the Director of the National Bureau of Standards and concurrently with the conduct of the programs under sections 5 and 6, shall enter into arrangements with appropriate Federal agencies to carry out such projects and activities (including demonstration projects) with respect to apartment buildings, office buildings, factories, crop-drying facilities and other agricultural structures, public buildings (including schools and colleges), and other non-residential, commercial, or industrial buildings, taking into account the special needs of and individual differences in such buildings based upon size, function, and other relevant factors, as may be appropriate for the early development and demonstration of solar heating and combined solar heating and cooling systems suitable and effective for use in such buildings.

## SOLAR HEATING AND COOLING RESEARCH BY NATIONAL SCIENCE FOUNDATION

SEC. 10. (a) The Director shall conduct a program of applied research relevant to (1) the improvement of solar heating components and systems and (2) the development and commercial application of combined solar heating and cooling components and systems as contemplated by the programs under this Act.

(b) The Director shall apprise the Secretary and the Administrator on a continuing basis of the results of the programs being conducted in accordance with subsection (a), and the Secretary and the Administrator shall insure that such results, where appropriate, are incorporated into the development and demonstration programs established by this Act.

## COORDINATION, MONITORING, AND LIAISON

SEC. 11. (a) The Secretary, utilizing the services of the Director of the National Bureau of Standards and in coordination with such other Government agencies as may be appropriate, shall—

(1) monitor the performance and operation of solar heating and combined solar heating and cooling systems installed in residential dwellings under this Act;

(2) collect and evaluate data and information on the performance and operation of solar heating and combined solar heating and cooling systems installed in residential dwellings under this Act; and

(3) from time to time, carrying out such studies and investigations and take such other actions, including the submission of special reports to the Congress when appropriate, as may be necessary to assure that the programs for which the Secretary is responsible under this Act effectively carry out the policy of this Act.

(b) In the development of the performance criteria and test procedures required under sections 5, 6, and 8, the Secretary shall work closely with the appropriate scientific, technical, and professional societies and industry representatives to insure the best possible use of available expertise in this area.

(c) The Secretary shall also maintain continuing liaison with the building industry and related industries and interests, and with the scientific and technical community during and after the period of the programs carried out under this Act, in order to assure that the projected benefits of such programs are and will continue to be realized.

## DISSEMINATION OF INFORMATION AND OTHER ACTIONS TO PROMOTE PRACTICAL USE OF SOLAR HEATING AND COOLING TECHNOLOGIES

SEC. 12. (a) The Secretary shall take all possible steps to assure that full and complete information with respect to the demonstrations and other activities conducted under this Act is made available to Federal, State, and local authorities, the building industry and related segments of the economy, the scientific and technical community, and the public at large, both during and after the close of the programs under this Act, with the objective of promoting and facilitating to the maximum extent feasible the early and widespread practical use of solar energy for the heating and cooling of buildings throughout the United States. In accordance with regulations prescribed under section 16 such information shall be disseminated on a coordinated basis by the Secretary, the Administrator, the Director of the National Bureau of Standards, the Director, the Commissioner of the Patent Office, and other appropriate Federal offices and agencies.

(b) In addition, the Secretary shall—

(1) study and investigate the effect of building codes, zoning ordinances, tax regulations, and other laws, codes, ordinances, and practices upon the practical use of solar energy for the heating and cooling of buildings;

(2) determine the extent to which such laws, codes, ordinances, and practices should be changed to permit or facilitate such use, and the methods by which any such changes may best be brought about; and



(3) study the necessity of a program of incentives to accelerate the commercial application of solar heating and cooling technology.

(c) (1) In carrying out his functions under subsections (a) and (b) the Secretary, utilizing the capabilities of the National Aeronautics and Space Administration, the Department of Commerce, and the National Science Foundation to the maximum extent possible, shall establish and operate a Solar Heating and Cooling Information Data Bank (hereinafter in this subsection referred to as the "bank") for the purpose of collecting, reviewing, processing, and disseminating solar heating and cooling information and data in a timely and accurate manner in support of the objectives of this Act.

(2) Information and data compiled in the bank shall include—

(A) technical information (including reports, journal articles, dissertations, monographs, and project descriptions) on solar research, development, and applications;

(B) technical information on the design, construction, and maintenance of buildings compatible with solar heating and cooling concepts;

(C) physical and chemical properties of the materials required for solar heating and cooling;

(D) climate conditions in appropriate areas of the United States, including those areas where the demonstrations are to be located; and

(E) engineering performance of devices utilized in solar heating and cooling or to be employed in the demonstrations.

(3) In accordance with regulations prescribed under section 16, the Secretary shall provide retrieval and dissemination services to cover the solar heating and cooling information described under paragraph (2) for—

(A) Federal, State, and local government organizations that are active in the area of energy resources (and their contractors);

(B) universities, colleges, and other nonprofit organizations; and

(C) private persons, upon request, in appropriate cases.

(4) In carrying out his functions under this subsection, the Secretary shall utilize, when feasible, the existing data base of scientific and technical information in Federal agencies, adding to such data base any information described in paragraph (2) which does not already reside in such base.

(d) Each Federal officer and agency having functions under this Act shall include in his or its annual report to the President and the Congress a full and complete description of his or its activities (current and projected) under this Act, along with his or its recommendations for legislative, administrative, or other action to improve the programs under this Act or to achieve the objectives of this Act more promptly and effectively. In addition, the Secretary shall submit annually to the President and the Congress a special report summarizing in appropriate detail all of the activities (current and projected) of the various Federal officers and agencies having functions under this Act, with the objective of presenting a comprehensive overall view of such programs.



LIMITATIONS ON FEDERALLY ASSISTED OR FEDERALLY CONSTRUCTED HOUSING

SEC. 13. (a) (1) In determining the maximum dollar amount of any federally assisted mortgage loan (as defined in subsection (b) or the maximum per unit or other cost or floor area limitation of any federally constructed housing (as defined in subsection (c))), where the law establishing the program under which the loan is made or the housing is constructed specifies such maximum per unit or other cost on floor area limitation and the structure involved is furnished with solar heating or combined solar heating and cooling equipment under the demonstration program established by section 5, 6, or 9, the maximum amount or cost or floor area limitation so specified which is applicable to such structure shall be deemed to be increased by the amount by which (as determined by the Secretary or the Secretary of Defense, as appropriate) the price or cost or floor area limitation of the structure including such solar heating or combined solar heating and cooling equipment exceeds the price or cost or floor area limitation of the structure with such equipment replaced by conventional heating equipment or conventional heating and cooling equipment (as the case may be).

(2) In addition, in the case of a federally assisted mortgage loan, the cost excess specified in subsection (a) shall be fully taken into account in determining the value or cost of the structure involved for purposes of applying any statutory provision specifying the maximum loan-to-value or -cost ratio; except that, if the law specifies different rates of downpayment for successive increments of such value or cost, the lowest such rate shall apply to the additional cost attributable to the solar heating or combined solar heating and cooling equipment, and such equipment shall otherwise be excluded in determining the total value or cost of the structure.

(b) As used in subsection (a), the term "mortgage loan" means a loan which is made to finance the purchase or construction of a residence or any other building or structure; and the term "federally assisted mortgage loan" means a mortgage loan which—

(1) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by any lender which is itself regulated by any agency of the Federal Government; or

(2) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary or any other officer or agency of the Federal Government or under or in connection with a housing, urban development, or related program administered by the Secretary or a housing or related program administered by any other such officer or agency; or

(3) is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or from any financial institution from which it could be purchased by the Federal Home Loan Mortgage Corporation; or

(4) is made in whole or in part by any "creditor," as defined in section 103(f) of the Consumer Credit Protection Act of 1968 (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than \$1,000,000 per year.

(c) As used in subsection (a), the term "federally constructed housing" means (1) residential or multifamily housing which is constructed by agencies of the Federal Government to provide dwelling accommodations for particular types or classes of persons under programs administered by such Federal agencies (including all housing constructed by the Department of Defense to provide dwelling accommodations for personnel of the armed services or for such personnel and their families), and (2) residential or multifamily housing which is constructed by agencies of State or local government, with financial assistance in any form from the Federal Government, to provide dwelling accommodations for particular types or classes of persons under programs administered by such State or local agencies.

#### ENCOURAGEMENT AND PROTECTION OF SMALL BUSINESS

SEC. 14. In carrying out their functions under this Act, all Federal officers and agencies shall take steps to assure that small business concerns will have realistic and adequate opportunities to participate in the programs under this Act to the maximum extent possible.

#### PRIORITIES

SEC. 15. The Secretary shall set priorities as far as possible consistent with the intent and operation of this Act in accordance with the following criteria:

(a) The residential dwellings and other buildings which will be part of the demonstration programs referred to in sections 5, 6, and 9 shall be located in a sufficient number of different geographic areas in the United States to assure a realistic and effective demonstration of the solar heating systems and combined solar heating and cooling systems involved, and of the dwellings and other buildings themselves, in both rural and urban locations and under climatic conditions which vary as much as possible.

(b) Consideration shall be given to projected costs of commercial production and maintenance of the solar heating systems and combined solar heating and cooling systems utilized in the demonstration programs.

(c) Encouragement should be given in the conduct of programs under this Act to those projects in which funds, appropriated by any State or political subdivision thereof for the purpose of sharing costs with the Federal Government for the purchase and installation of solar heating or combined solar heating and cooling components and systems, are committed before or after the date of the enactment of this Act.

#### REGULATIONS

SEC. 16. The Administrator and the Secretary in consultation with the Director of the National Bureau of Standards, the Director, the Administrator of the General Services Administration, the Secretary of Defense, and other appropriate offices and agencies, shall prescribe such regulations as may be necessary or appropriate to carry out this Act promptly and efficiently. Each such officer or agency, in consultation with the Administrator and the Secretary, may prescribe such regulations as may be necessary or appropriate to carry out his or its particular functions under this Act promptly and efficiently.



## USE OF PUBLICLY ASSISTED HOUSING

SEC. 17. The Secretary shall make appropriate use of publicly assisted housing and particularly low-rent housing assisted under the United States Housing Act of 1937 in demonstrating solar heating systems and combined solar heating and cooling systems under this Act.

## TRANSFER OF FUNCTIONS

SEC. 18. Within sixty days after the effective date of the law creating the Energy Research and Development Administration or any other law creating a permanent Federal organization or agency having jurisdiction over the energy research and development functions of the United States (or within sixty days after the enactment of this Act if the effective date of such law occurs prior to the enactment of this Act), the energy research and development functions vested in the National Aeronautics and Space Administration and the National Science Foundation under this Act and any funds which may have been appropriated pursuant to section 19 of this Act, to the extent necessary or appropriate, may, in accordance with regulations prescribed by the Office of Management and Budget, be transferred to and vested in the Energy Research and Development Administration or such other organization or agency.

## AUTHORIZATION OF APPROPRIATIONS

SEC. 19. (a) There is hereby authorized to be appropriated to the National Aeronautics and Space Administration for the fiscal year ending June 30, 1975, \$5,000,000, to remain available until expended, to carry out the functions vested in the Administrator by this Act.

(b) There is hereby authorized to be appropriated to the Department of Housing and Urban Development for the fiscal year ending June 30, 1975, \$5,000,000, to remain available until expended. Any sums so appropriated shall be available (1) to carry out the functions vested in the Secretary of Housing and Urban Development by this Act, and (2) for transfer to the Department of Defense, the National Bureau of Standards, and the General Services Administration to enable them to carry out their respective functions under this Act.

(c) There is hereby authorized to be appropriated for the fiscal years ending June 30, 1976, 1977, 1978, and 1979, \$50,000,000 in the aggregate to carry out the programs established by this Act.

Approved September 3, 1974.

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EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS  
OF 1978

## SOLAR ENERGY SYSTEM

[Public Law 95-557, 12 U.S.C. 1701z-13]

SEC. 209. (a) It is the purpose of this section to promote and extend the application of viable solar energy systems as a desirable source of energy for residential single-family and multifamily housing units.

(b) (1) The Secretary, in carrying out programs and activities under



section 312 of the Housing Act of 1964, section 202 of the Housing Act of 1959, and section 8 of the United States Housing Act of 1937, shall permit the installation of solar energy systems which are cost-effective and economically feasible.

(2) For the purpose of this Act, the term "solar energy system" means any addition, alteration, or improvement to an existing or new structure which is designed to utilize wind energy or solar energy either of the active type based on mechanically forced energy transfer or of the passive type based on convective, conductive, or radiant energy transfer or some combination of these types to reduce the energy requirements of that structure from other energy sources, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation with the Secretary of Energy.

(c) In carrying out subsection (b), the Secretary shall take such steps as may be necessary to encourage the installation of cost-effective and economically feasible solar energy systems in housing assisted under the programs and activities referred to in such subsection taking into account the interests of low-income homeowners and renters, including the implementation of a plan of action to publicize the availability and feasibility of solar energy systems to current or potential recipients of assistance under such programs and activities.

(d) The Secretary shall, in conjunction with the Secretary of Energy, transmit to the Congress, within eighteen months after the date of enactment of this Act, a report setting forth—

(1) the number of solar units which were contracted for or installed or which are on order under the provisions of subsection (b)(1) of this section during the first twelve full calendar months after the date of enactment of this Act; and

(2) an analysis of any problems and benefits related to encouraging the use of solar energy systems in the programs and activities referred to in subsection (b).

\* \* \* \* \*

Approved October 31, 1978.

## EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93-383, 88 Stat. 633]

### CONDOMINIUM AND COOPERATIVE STUDY

SEC. 821. The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study, and report to Congress not later than one year after the date of enactment of this Act, with respect to condominiums and cooperatives, and the problems, difficulties, and abuses or potential abuses applicable to condominium and cooperative housing.

### DIRECT FINANCING STUDY

SEC. 822. The Secretary of Housing and Urban Development and the Secretary of the Treasury shall study the feasibility of financing the programs authorized under section 236 of the National Housing

Act and section 802 of this Act through various financing methods, including direct loans from the Federal Financing Bank, with a view to determining whether there is any such method that would result in net savings to the Federal Government (after taking into account the direct and indirect effects of such method). The Secretary of Housing and Urban Development and the Secretary of the Treasury shall transmit to the Congress a report on the study required by this section not later than one year after the date of enactment of this Act.

#### EXCERPTS FROM PARTICIPATION SALES ACT OF 1966

[Public Law 89-429, 80 Stat. 164, 167; 12 U.S.C. 1717]

##### STUDY OF DIRECT LOAN PROGRAMS

SEC. 8. The Secretary of the Treasury, in consultation with heads of agencies of the United States carrying on direct loan programs, shall conduct a study, in such manner as he shall determine, on the feasibility, advantages, and disadvantages of direct loan programs compared to guaranteed or insured loan programs and shall report his findings together with specific legislative proposals to the Congress not later than six months after the effective date of this Act. There are authorized to be appropriated such sums as necessary for the purpose of this section.

\* \* \* \* \*

Approved May 24, 1966.

#### EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1965

[Public Law 89-117; 79 Stat. 451, 474; 42 U.S.C. 1456 note]

##### STUDY OF HOUSING AND BUILDING CODES, ZONING, TAX POLICIES, AND DEVELOPMENT STANDARDS

SEC. 301.<sup>1</sup> Repealed. (a) The Congress finds that the general welfare of the Nation requires that local authorities be encouraged and aided to prevent slums, blight, and sprawl, preserve natural beauty, and provide for decent, durable housing so that the goal of a decent home and a suitable living environment for every American family may be realized as soon as feasible. The Congress further finds that there is a need to study housing and building codes, zoning, tax policies, and development standards in order to determine how (1) local property owners and private enterprise can be encouraged to serve as large a part as they can of the total housing and building need, and (2) Federal, State, and local governmental assistance can be so directed as to place greater reliance on local property owners and private enterprise and enable them to serve a greater share of the total housing and building need. The Secretary of Housing and Urban Development is

<sup>1</sup> Sec. 301 repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1786. However, sec. 503, Housing and Urban Development Act of 1970, provides that this repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).

## RESEARCH, STUDIES, DEMONSTRATIONS AND SOLAR ENERGY

therefore directed to study the structure of (1) State and local urban and suburban housing and building laws, standards, codes, and regulations and their impact on housing and building costs, how they can be simplified, improved, and enforced, at the local level, and what methods might be adopted to promote more uniform building codes and the acceptance of technical innovations including new building practices, and materials; (2) State and local zoning and land use laws, codes, and regulations, to find ways by which States and localities may improve and utilize them in order to obtain further growth and development; and (3) Federal, State, and local tax policies with respect to their effect on land and property cost and on incentives to build housing and make improvements in existing structures.

(b) The Secretary shall submit a report based on such study to the President and to the Congress not later than <sup>1</sup> December 31, 1968.

(c) There are authorized to be appropriated such funds as may be necessary to carry out the purposes of this section. Any funds so appropriated shall remain available until expended.

\* \* \* \* \*

## STUDY CONCERNING RELIEF OF HOMEOWNERS IN PROXIMITY TO AIRPORTS

SEC. 1113. (a) The Secretary of Housing and Urban Development shall undertake a study to determine feasible methods of reducing the economic loss and hardship suffered by homeowners as the result of the depreciation in the value of their properties following the construction of airports in the vicinity of their homes, including a study of feasible methods of insulating such homes from the noise of aircraft. Findings and recommendations resulting from such study shall be reported to the President for transmission to the Congress at the earliest practicable date, but in no event later than six <sup>2</sup> months after the date of the enactment of the Demonstration Cities and Metropolitan Development Act of 1966.

(b) There is authorized to be appropriated the sum of \$100,000 to carry out subsection (a).

\* \* \* \* \*

Approved August 10, 1965.

## EXCERPTS FROM THE HOUSING ACT OF 1948, AS AMENDED

[Public Law 901, 80th Congress; 62 Stat. 1268, 1276, 12 U.S.C. 1701e (1946 ed., Supp. III)]

TITLE III <sup>3</sup> Repealed.

SEC. 301. The Secretary of Housing and Urban Development shall—

(a) Undertake and conduct a program with respect to technical research and studies concerned with the development, demonstration,

<sup>1</sup> Public Law 90-118, approved October 31, 1967, 81 Stat. 338, extended from March 6, 1968, to December 31, 1968, the time for filing this report.

<sup>2</sup> Sec. 1015, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1293, extended until 6 months after the date of the enactment of that Act the time allowed the Secretary of Housing and for this study by adding subsec. (b).

<sup>3</sup> Title III repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1785. However, sec. 503, Housing and Urban Development Act of 1970, provides that such repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).



and promotion of the acceptance and application of new and improved techniques, materials, and methods which will permit progressive reductions in housing construction and maintenance costs, and stimulate the increased and sustained production of housing, and concerned with housing economics and other housing market data. Such program may be concerned with improved and standardized building codes and regulations and methods for the more uniform administration thereof, standardized dimensions and methods for the assembly of home-building materials and equipment, improved residential design and construction, new and improved types of housing components, building materials and equipment, and methods of production, distribution, assembly, and construction, and sound techniques for the testing thereof and for the determination of adequate performance standards, and may relate to appraisal, credit, and other housing market data, housing needs, demand and supply, finance and investment, land costs, use and improvement, site planning and utilities, zoning and other laws, codes, and regulations as they apply to housing, other factors affecting the cost of housing, and related technical and economic research. Contracts may be made by the Secretary for technical research and studies authorized by this subsection for work to continue not more than four years from the date of any such contract. Notwithstanding the provisions of section 5 of the Act of June 20, 1874, as amended (31 U.S.C. 713), any unexpended balances of appropriations properly obligated by contracting with an organization as provided in this subsection may remain upon the books of the Treasury for not more than five fiscal years before being carried to the surplus fund and covered into the Treasury. All contracts made by the Secretary for technical research and studies authorized by this or any other Act shall contain requirements making the results of such research or studies available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine. The Secretary shall disseminate, and without regard to the provisions of 39 United States Code 321n, the results of such research and studies in such form as may be most useful to industry and to the general public.

(b) Prepare and submit to the President and to the Congress estimates of national urban and rural nonfarm housing needs and reports with respect to the progress being made toward meeting such needs, and correlate and recommend proposals for such executive action or legislation as may be necessary or desirable for the furtherance of the national housing objective and policy established by this Act, with respect to urban and rural nonfarm housing, together with such other reports or information as may be required of the Secretary by the President or the Congress.

(c) Encourage localities to make studies of their own housing needs and markets, along with surveys and plans for housing, urban land use and related community development, and provide, where requested and needed by the localities, technical advice and guidance in the making of such studies, surveys, and plans. To facilitate the cooperation of Federal agencies in carrying out such studies or surveys, such Federal agencies are hereby authorized to accept funds and reimburse

their appropriation for the cost of such studies or surveys.

SEC. 302. In carrying out research and studies under this title, the Secretary shall utilize, to the fullest extent feasible, the available facilities of other departments, independent establishments, and agencies of the Federal Government, and shall consult with, and make recommendations to, such departments, independent establishments, and agencies with respect to such action as may be necessary and desirable to overcome existing gaps and deficiencies in available housing data or in the facilities available for the collection of such data. The Secretary is further authorized, for the purposes of this title, to undertake research and studies cooperatively with industry and labor, and with agencies of State or local governments, and educational institutions and other nonprofit organizations. For the purpose of entering into contracts with any State or local public agency or instrumentality, or educational institution or other non-profit agency or organization, in carrying out any research or studies authorized by this title, the Secretary may exercise any of the powers vested in him by section 502(c) of the Housing Act of 1948.

SEC. 303. There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this title.

SEC. 304. Repealed.

\* \* \* \* \*

Approved August 10, 1948.

#### EXCERPTS FROM THE HOUSING ACT OF 1956

[Public Law 1080, 84th Congress, 70 Stat. 1091, 1113; 12 U.S.C. 1701d-3]

#### RESEARCH

SEC. 602.<sup>1</sup> Repealed. (a) The Secretary of Housing and Urban Development is authorized and directed to undertake such programs of investigation, analysis, and research as he determines to be necessary and appropriate in the exercise of his responsibilities, including the formulation and carrying out of national housing policies and programs. Without limiting such authority, such programs shall develop and supply data and information on—

(1) the housing inventory of the Nation and the production, use, and demolition and conversion of residential structures, and such other factors as affect the total supply of housing;

(2) mortgage market problems;

(3) the extent to which adequate housing is available to the low-income and middle-income families of the Nation through public and private means;

(4) housing for elderly persons;

(5) residential design, assembly methods, and materials use in relation to cost, utility, and comfort; and

(6) characteristics of current and prospective housing market demand.

<sup>1</sup> Sec. 602 repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1785. However, sec. 503, Housing and Urban Development Act of 1970, provides that such repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).



(b) (1) In order to permit the Secretary to carry out the functions vested in him by subsection (a) of this section, he is hereby authorized to enter into contracts with agencies of State and local governments and educational institutions and other nonprofit organizations and into working agreements with departments and independent establishments and agencies of the Federal Government in accordance with paragraph (3) of this subsection: *Provided*, That the total amount of such contracts and working agreements shall not exceed \$500,000 during the fiscal year 1957, which amount shall be increased by further amounts of \$1,000,000 on July 1, 1957, and July 1, 1958, respectively.

(2) There are hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated such sums as may be necessary to carry out the purposes of this section including administrative expenses which are hereby authorized, and amounts necessary to make payments pursuant to contracts or working agreements authorized under subsection (b) (1) of this section.

(3) The provisions of the third and fourth sentences of subsection (a) of section 301 of the Housing Act of 1948 and of subsection (c) of section 502 of such Act shall apply to contracts and appropriations pursuant to this section.

(c) The Administrator may disseminate (without regard to the provisions of section 306 of the Penalty Mail Act of 1948 (39 U.S.C. 321n)) any data or information acquired or held under this section, including related data and information otherwise available to the Secretary through the operation of the programs and activities of the Department of Housing and Urban Development, in such form as he shall determine to be most useful to departments, establishments, and agencies of the Federal Government or State or local governments, to industry and to the general public.

(d) In carrying out the provisions of this section, the Secretary is hereby authorized to request and receive such information or data as he deems appropriate from private individuals, organizations, and other public agencies. Any such information or data shall be used only for the purposes for which it is supplied, and no publication shall be made by the Secretary whereby the information or data furnished by any particular person or establishment can be identified, except with the consent of such person or establishment.

(e) Nothing contained in this section shall limit any authority of the Secretary under title III of the Housing Act of 1948, as amended, or any other provision of law.

\* \* \* \* \*

Approved August 7, 1956.

### EXCERPTS FROM DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966

[Public Law 89-754, 80 Stat. 1255, 1286; 42 U.S.C. 3372]

#### APPLYING ADVANCES IN TECHNOLOGY TO HOUSING AND URBAN DEVELOPMENT

SEC. 1010.<sup>1</sup> Repealed. (a) To encourage and assist the housing

<sup>1</sup> Sec. 1010 repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1786. However, sec. 503, Housing and Urban Development Act of 1970, provides that such repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).



industry to continue to reduce the cost and improve the quality of housing by the application to home construction of advances in technology, and to encourage and assist the application of advances in technology to urban development activities, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is directed to—

(1) conduct research and studies to test and demonstrate new and improved techniques and methods of applying advances in technology to housing construction, rehabilitation, and maintenance, and to urban development activities;

(2) encourage and promote the acceptance and application of new and improved techniques and methods of constructing, rehabilitating, and maintaining housing, and the application of advances in technology to urban development activities, by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public;

(3) require, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs; and

(4) assure, to the extent feasible, in connection with the construction, major rehabilitation, or maintenance of any housing assisted under this section, that there is no restraint by contract, building code, zoning ordinance, or practice against the employment of new or improved technologies, techniques, materials, and methods or of preassembled products which may reduce the cost or improve the quality of such construction, rehabilitation, and maintenance, and therefore stimulate expanded production of housing under this section, except where such restraint is necessary to insure safe and healthful working and living conditions.

(b) Research and studies conducted under this section shall be designed to test and demonstrate the applicability to housing construction, rehabilitation, and maintenance, and urban development activities, of advances in technology relating to (1) design concepts, (2) construction and rehabilitation methods, (3) manufacturing processes, (4) materials and products, and (5) building components.

(c) The Secretary is authorized (1) to carry out the research and studies authorized by this section either directly or by contract with public or private bodies or agencies, or by working agreement with departments and agencies of the Federal Government, as he may determine to be desirable and (2) notwithstanding any other provision of law, to acquire, use and dispose of land and other property as he deems necessary to carry out the purposes of subsection (a) (1) of this section. Contracts may be made by the Secretary for research and studies authorized by this section for work to continue not more than four years from the date of any such contract.

(d) There are authorized to be appropriated to carry out the provisions of this section not to exceed \$5,000,000 for the fiscal year ending June 30, 1967, and not to exceed \$10,000,000 for the fiscal year ending

June 30, 1968, and not to exceed such sums for subsequent fiscal years as may be necessary. All funds so appropriated shall remain available until expended.

(e) Nothing contained in this section shall limit any authority of the Secretary under title III of the Housing Act of 1948, section 602 of the Housing Act of 1956, or any other provision of law.

#### URBAN ENVIRONMENTAL STUDIES

SEC. 1011.<sup>1</sup> Repealed. (a) The Congress finds that, with the ever-increasing concentration of the Nation's population in urban centers, there has occurred a marked change in the environmental conditions under which most people live and work; that such change is characterized by the progressive substitution of a highly complex, man-conceived environment for an environment conditioned primarily by nature; that the beneficent or malignant influence of environment on all living creatures is well recognized; and that much more knowledge is urgently needed concerning the effect on human beings of highly urbanized surroundings. It is the purpose of this section to authorize a comprehensive program of research, studies, surveys, and analyses to improve understanding of the environmental conditions necessary for the well-being of an urban society, and for the intelligent planning and development of viable urban centers.

(b) In order to carry out the purpose of this section, the Secretary is authorized and directed to—

(1) conduct studies, surveys, research, and analyses with respect to the ecological factors involved in urban living;

(2) document and define urban environmental factors which need to be controlled or eliminated for the well-being of urban life;

(3) establish a system of collecting and receiving information and data on urban ecological research and evaluations which are in process or are being planned by public or private agencies, or individuals;

(4) evaluate and disseminate information pertaining to urban ecology to public and private agencies or organizations, or individuals, in the form of reports or otherwise;

(5) initiate and utilize urban ecological information in urban development projects initiated or assisted by the Department of Housing and Urban Development; and

(6) establish through interagency consultation the coordinated utilization of urban ecological information in projects undertaken or assisted by the Federal Government which affect the growth or development of urban areas.

(c) (1) The Secretary is authorized to establish such advisory committees as he deems desirable for the purpose of rendering advice and submitting recommendations for carrying out the purpose of this section. Such advisory committees shall render such advice to the

<sup>1</sup> Sec. 1011 repealed effective July 1, 1971, by sec. 503, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1786. However, sec. 503 provides that such repeal "shall not affect contracts, commitments, reservations, or other obligations entered into pursuant to such provisions prior to that date" (July 1, 1971).

Secretary upon his request and may submit such recommendations to the Secretary at any time on their own initiative. The Secretary may designate employees of the Department of Housing and Urban Development to assist such committees.

(2) Members of such advisory committee shall receive not to exceed \$100 per day when engaged in the actual performance of their duties, in addition to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties.

(d) The Secretary is authorized to carry out the studies, surveys, research, and analyses authorized by this section either directly or by contract with public or private bodies or agencies, or by working agreement with departments and agencies of the Federal Government, as he may determine to be desirable. Contracts may be made by the Secretary for work under this subsection to continue not more than two years from the date of any such contract.

(e) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section. All funds so appropriated shall remain available until expended when so provided in appropriation Acts.

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Approved November 3, 1966.

EXCERPT FROM ELEMENTARY AND SECONDARY EDUCATION AMENDMENTS  
OF 1967

[PUBLIC LAW 90-247, 81 STAT. 783, 787]

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STUDY OF IMPACT OF CHILDREN LIVING IN PUBLIC HOUSING

SEC. 111. The Secretary of Health, Education, and Welfare shall make a study of the burden imposed on a local educational agency by the presence of low-rent public housing within the boundaries of its school district. The Secretary shall submit a report on the results of his study to the Senate and House of Representatives on or before May 15, 1968. Such report shall include such recommendations for legislation as the Secretary deems appropriate.

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Approved January 2, 1968.

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SEASONABLE UNEMPLOYMENT IN THE CONSTRUCTION INDUSTRY

[The Manpower Development and Training Act of 1962, 42 U.S.C. 2571]

TITLE IV<sup>1</sup>—SEASONAL UNEMPLOYMENT IN THE  
CONSTRUCTION INDUSTRY

SEC. 401. (a) The Congress finds that seasonal unemployment rep-

<sup>1</sup> Title IV was added by Public Law 90-636, approved October 24, 1968, 82 Stat. 1122, 1354.



resents a substantial portion of the unemployment in the construction industry, and a significant portion of all unemployment, that seasonal unemployment results in economic hardship for construction employees, employers, and for the consumers of construction services, that such unemployment constitutes unnecessary and wasteful misuse of the Nation's manpower resources; that stabilization of construction operations may be expected to have a correspondingly stabilizing effect on construction employment and costs; and that it is highly desirable from the standpoint of the economy as a whole, and manpower policy in particular that positive and expeditious action be taken by public authorities and private groups to regularize construction employment.

(b) It is therefore the purpose of this title to provide for the conduct of a study of seasonality in the construction industry, with special attention to its implications for national manpower policy.

SEC. 402. The Secretary of Labor and the Secretary of Commerce jointly, shall study, investigate, conduct research, and prepare a report containing their findings and recommendations concerning means to achieve stabilization of employment in the construction industry and the diminishment of seasonality of employment in such industry, with special attention to its implications for national manpower policy and shall transmit such report to the President and to the Congress no later than December 31, 1969.

SEC. 403. Matters which the Secretary of Labor and the Secretary of Commerce, after consultation with other appropriate officials of Federal agencies, including, but not necessarily limited to, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, the Secretary of the Interior, the Secretary of Transportation, the Administrator of the General Services Administration, and the Director of the Bureau of the Budget, and with engineers, with other appropriate officials of Federal agencies, including, but not necessarily limited to, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, the Secretary of the Interior, the Secretary of Transportation, the Administrator of the General Services Administration, and the Director of the Bureau of the Budget, and with engineers, architects, and representatives of labor and management in the construction industry, shall consider, shall include, but not necessarily be limited to, the extent to which seasonal unemployment in the construction industry can be reduced without substantial increases in construction costs by means such as—

- (a) the application of modern techniques to reduce the influence of weather on construction activity;
- (b) the resolution of technical problems which have not been solved by existing research and development activities;
- (c) possible changes in contract procedures in allocation cycles;
- and
- (d) improved planning and scheduling of construction projects.

## FIRE PREVENTION AND CONTROL

### EXCERPTS FROM FIRE RESEARCH AND SAFETY ACT OF 1968

[Public Law 90-259, 82 Stat. 34; 15 U.S.C. 278f]

AN ACT To amend the Organic Act of the National Bureau of Standards to authorize a fire research and safety program, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Fire Research and Safety Act of 1968".*

## TITLE I—FIRE RESEARCH AND SAFETY PROGRAM

### DECLARATION OF POLICY

SEC. 101. The Congress finds that a comprehensive fire research and safety program is needed in this country to provide more effective measures of protection against the hazards of death, injury, and damage to property. The Congress finds that it is desirable and necessary for the Federal Government, in carrying out the provisions of this title, to cooperate with and assist public and private agencies. The Congress declares that the purpose of this title is to amend the Act of March 3, 1901, as amended, to provide a national fire research and safety program including the gathering of comprehensive fire data; a comprehensive fire research program; fire safety education and training programs; and demonstrations of new approaches and improvements in fire prevention and control, and reduction of death, personal injury, and property damage. Additionally, it is the sense of Congress that the Secretary<sup>1</sup> should establish a fire research and safety center for administering this title and carrying out its purposes, including appropriate fire safety liaison and coordination.

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## TITLE II—NATIONAL COMMISSION ON FIRE PREVENTION AND CONTROL

### FINDINGS AND PURPOSES

SEC. 201. The Congress finds and declares that the growing problem of the loss of life and property from fire is a matter of grave national concern; that this problem is particularly acute in the Nation's urban and suburban areas where an increasing proportion of the population resides but it is also of national concern in smaller communities and rural areas; that as population concentrates, the means for controlling and preventing destructive fires has become progressively more complex and frequently beyond purely local capabilities; and that there is a clear and present need to explore and develop more effective fire control and fire prevention measures throughout the country in the light of existing and foreseeable conditions. It is the purpose of this title to establish a commission to undertake a thorough study and investigation of this problem with a view to the formulation of recommendations whereby the Nation can reduce the destruction of life and property caused by fire in its cities, suburbs, communities, and elsewhere.

### ESTABLISHMENT OF COMMISSION

SEC. 202. (a) There is hereby established the National Commission on Fire Prevention and Control (hereinafter referred to as the "Com-

<sup>1</sup> Secretary of Commerce.

mission") which shall be composed of twenty members as follows: the Secretary of Commerce, the Secretary of Housing and Urban Development, and eighteen members appointed by the President. The individuals so appointed as members (1) shall be eminently well qualified by training or experience to carry out the functions of the Commission, and (2) shall be selected so as to provide representation of the views of individuals and organizations of all areas of the United States concerned with fire research, safety, control, or prevention, including representatives drawn from Federal, State, and local governments, industry, labor, universities, laboratories, trade associations, and other interested institutions or organizations. Not more than six members of the Commission shall be appointed from the Federal Government. The President shall designate the Chairman and Vice Chairman of the Commission.

(b) The Commission shall have four advisory members composed of—

(1) two Members of the House of Representatives who shall not be members of the same political party and who shall be appointed by the Speaker of the House of Representatives, and

(2) two Members of the Senate who shall not be members of the same political party and who shall be appointed by the President of the Senate.

The advisory members of the Commission shall not participate, except in an advisory capacity, in the formulation of the findings and recommendations of the Commission.

(c) Any vacancy in the Commission or in its advisory membership shall not affect the powers of the Commission, but shall be filled in the same manner as the original appointment.

#### DUTIES OF THE COMMISSION

SEC. 203. (a) The Commission shall undertake a comprehensive study and investigation to determine practicable and effective measures for reducing the destructive effects of fire throughout the country in addition to the steps taken under sections 16 and 17 of the Act of March 3, 1901 (as added by title I of this Act). Such study and investigation shall include, without being limited to—

(1) a consideration of ways in which fires can be more effectively prevented through technological advances, construction techniques, and improved inspection procedures;

(2) an analysis of existing programs administered or supported by the departments and agencies of the Federal Government and of ways in which such programs could be strengthened so as to lessen the danger of destructive fires in Government-assisted housing and in the redevelopment of the Nation's cities and communities;

(3) an evaluation of existing fire suppression methods and of ways for improving the same, including procedures for recruiting and soliciting the necessary personnel;

(4) an evaluation of present and future needs (including long-term needs) of training and education for fire-service personnel;



(5) a consideration of the adequacy of current fire communication techniques and suggestions for the standardization and improvement of the apparatus and equipment used in controlling fires;

(6) an analysis of the administrative problems affecting the efficiency or capabilities of local fire departments or organizations; and

(7) an assessment of local, State, and Federal responsibilities in the development of practicable and effective solutions for reducing fire losses.

(b) In carrying out its duties under this section the Commission shall consider the results of the functions carried out by the Secretary of Commerce under sections 16 and 17 of the Act of March 3, 1901 (as added by title I of this Act), and consult regularly with the Secretary in order to coordinate the work of the Commission and the functions carried out under such sections 16 and 17.

(c) The Commission shall submit to the President and to the Congress a report with respect to its findings and recommendations not later than two years after the Commission has been duly organized.

#### POWERS AND ADMINISTRATIVE PROVISIONS

SEC. 204. (a) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this title, hold hearings, take testimony, and administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or member thereof.

(b) Each department, agency, and instrumentality of the executive branch of the Government, including an independent agency, is authorized to furnish to the Commission, upon request made by the Chairman or Vice Chairman, such information as the Commission deems necessary to carry out its functions under this title.

(c) Subject to such rules and regulations as may be adopted by the Commission, the Chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, shall have the power—

(1) to appoint and fix the compensation of such staff personnel as he deems necessary, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

#### COMPENSATION OF MEMBERS

SEC. 205. (a) Any member of the Commission, including a member appointed under section 202(b), who is a Member of Congress or in the executive branch of the Government shall serve without compensation in addition to that received in his regular employment, but shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by him in connection with the perform-

ance of duties vested in the Commission.

(b) Members of the Commission, other than those referred to in subsection (a), shall receive compensation at the rate of \$100 per day for each day they are engaged in the performance of their duties as members of the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.

#### EXPENSES OF THE COMMISSION

SEC. 206. There are authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this title.

#### EXPIRATION OF THE COMMISSION

SEC. 207. The Commission shall cease to exist thirty days after the submission of its report under section 203(c).

Approved March 1, 1968.

### EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

[Public Law 95-557, 92 Stat. 2080]

#### UNDERGROUND CONSTRUCTION OF RESIDENTIAL HOUSING

SEC. 305(c). The Secretary of Housing and Urban Development shall conduct a study of the feasibility of underground construction of residential housing and changes in housing codes and financing which may be necessary as the result of the adoption of this construction method. The Secretary shall transmit a final report no later than one year after the date of enactment of this Act to the Congress containing the findings and conclusions made as a result of such study, along with any legislative recommendations which the Secretary determines should be enacted with respect to the subject of such study.

\* \* \* \* \*

Approved October 31, 1978.

### EXCERPTS FROM NATIONAL ENERGY CONSERVATION POLICY ACT

[Public Law 95-619, 92 Stat. 3206]

#### SEC. 251. ENERGY-CONSERVING IMPROVEMENT FOR ASSISTED HOUSING

\* \* \* \* \*

(b) GRANTS.—(1) The Secretary of Housing and Urban Development is authorized to make grants to finance energy conserving improvements (as defined in subparagraph (2) of the last paragraph of section 2(a) of the National Housing Act) to projects which are financed with loans under section 202 of the Housing Act of 1959, or which are subject to mortgages insured under section 221(d)(3) or section 236 of the National Housing Act. The Secretary shall make assistance available under this subsection on a priority basis to those projects which are in financial difficulty as a result of high energy costs. In carrying out the program authorized by this subsection, the Secretary shall issue regulations requiring that any grant made under

this subsection shall be made only on the condition that the recipient of such grant shall take steps (prescribed by the Secretary) to assure that the benefits derived from such grants in terms of lower energy costs shall accrue to tenants in the form of lower rentals or to the Federal Government in the form of a lower operating subsidy if such a subsidy is being paid to such recipient.

(2) The Secretary shall establish minimum standards for energy conserving improvements to multifamily dwelling units to be assisted under this subsection.

(3) There are authorized to be appropriated to carry out the provisions of this subsection not to exceed \$25,000,000.

\* \* \* \* \*

#### SEC. 253. RESIDENTIAL ENERGY EFFICIENCY STANDARDS STUDY.

(a) **GENERAL AUTHORITY.**—The Secretary of Housing and Urban Development (hereinafter in this section referred to as the “Secretary”) shall, in coordination with the Secretary of Agriculture, the Secretary of the Treasury, the Administrator of Veterans’ Affairs, the Secretary of Energy, and such other representatives of Federal, State, and local governments as the Secretary shall designate, conduct a study, utilizing the services of the National Institute of Building Sciences pursuant to appropriate contractual arrangements, for the purpose of determining the need for, the feasibility of, and the problems of requiring, by mandatory Federal action, that all residential dwelling units meet applicable energy efficient standards. The subjects to be examined shall include, but not be limited to, mandatory notification to purchasers, and policies to prohibit exchange or sale, of properties which do not conform to such standards.

(b) **SPECIFIC FACTORS.**—In conducting such study, the Secretary shall consider at least the following factors—

(1) the extent to which such requirement would protect a prospective purchaser from the uncertainty of not knowing the energy efficiency of the property he proposes to purchase;

(2) the extent to which such requirement would contribute to the Nation’s energy conservation goals;

(3) the extent to which such a requirement would affect the real estate, home building, and mortgage banking industries;

(4) the sanctions which might be necessary to make such a requirement effective and the administrative impediments there might be to enforcement of such sanctions;

(5) the possible impact on sellers and purchasers as a result of the implementation of mandatory Federal actions, taking into account the experience of the Federal Government in imposing mandatory requirements concerning the purchase and sale of real property as occurred under the Real Estate Settlement Procedures Act of 1974 and the Federal Disaster Protection Act of 1973;

(6) an analysis of the effect of such a requirement on the economy as a whole and on the Nation’s security as compared to the impact on the credit and housing markets caused by such a requirement;

(7) the effect of such a requirement on availability of credit in the housing industry;



(8) the extent to which the imposition of mandatory Federal requirements would temporarily reduce the number of residential dwellings available for sale and the resulting effect of such mandatory actions on the price of those remaining dwelling units eligible for sale; and

(9) the possible uncertainty, during the period of developing the standards, as to what standards might be imposed and any resulting effect on major housing rehabilitation efforts and voluntary efforts for energy conservation.

(c) **COMMENTS AND FINDINGS BY SECRETARY OF ENERGY.**—The Secretary shall incorporate into such study comments by the Secretary of Energy on the effects on the economy as a whole and on the Nation's security which may result from the requirement described in subsection (a) as compared to the impact on the credit and housing markets likely to be caused by such a requirement. In addition, the Secretary shall incorporate into such study the following findings by the Secretary of Energy:

(1) the savings in energy costs resulting from the requirement described in subsection (a) throughout the estimated remaining useful life of the existing residential buildings to which such requirement would apply; and

(2) the total cost per barrel of oil equivalent, in obtaining the energy savings likely to result from such requirement, computed for each class of existing residential buildings to which such requirement would apply.

(d) **REPORT DATE.**—The Secretary shall report, no later than one year after the date of enactment of this section, to both Houses of the Congress with regard to the findings made as a result of such study along with any recommendations for legislative proposals which the Secretary determines should be enacted with respect to the subject of such study.

\* \* \* \* \*

Approved November 9, 1978.

EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476]

TITLE I—LOWER INCOME HOUSING

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

"SEC. 235.<sup>1</sup> (a) For the purpose of assisting lower income families in

\* \* \* \* \*

(c) (4) The purchase of any individual dwelling, sold by a non-profit organization pursuant to the provisions of section 221(h) (5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j) (4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j) (2) (C) of such Act.

\* \* \* \* \*

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under section 235(i) or 235(j) (4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

\* \* \* \* \*

TECHNICAL ASSISTANCE, COUNSELING TO TENANTS AND HOMEOWNERS, AND  
LOANS TO SPONSORS OF LOW- AND MODERATE-INCOME HOUSING <sup>2</sup>

SEC. 106.<sup>3</sup> (a) (1) The Secretary is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance, including but not limited to—

<sup>1</sup> See sec. 235, National Housing Act, for these provisions.

<sup>2</sup> Sec. 811(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, rewrote the heading of this section to read as follows: "Technical Assistance, Counseling to Tenants and Homeowners, and Loans to Sponsors of Low- and Moderate-Income Housing."

<sup>3</sup> Sec. 903(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1808, amended section 106(a) of the Housing and Urban Development Act of 1968 to authorize technical assistance and advice with respect to individual tenants and homeowners assisted under HUD programs in addition to nonprofit sponsors of multifamily housing. Sec. 903(a), Housing and Urban Development Act of 1970, also authorized to be appropriated without fiscal year limitation not to exceed \$5,000,000 for such purposes.

(i) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low- and moderate-income housing;

(ii) the provision of advice and technical assistance to public bodies or to nonprofit or cooperative organizations with respect to the construction, rehabilitation, and operation of low- and moderate-income housing, including assistance with respect to self-help and mutual self-help programs;

(iii) counseling and advice to tenants and homeowners with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and in meeting the responsibilities of tenancy or homeownership;<sup>1</sup>

(iv) the provision of technical assistance to communities, particularly smaller communities, to assist such communities in planning, developing, and administering Community Development Programs pursuant to title I of the Housing and Community Development Act of 1974.<sup>2</sup>

(2) The Secretary shall provide the services described in clause (iii) of paragraph (1) for homeowners assisted under section 235 of the National Housing Act and may provide such services for other owners of single family dwelling units insured under title II of the National Housing Act.<sup>3</sup> For purposes of this paragraph and clause (iii) of paragraph (1), the Secretary may provide the services described in such clause directly or may enter into contracts with, make grants to, and provide other types of assistance to private or public organizations with special competence and knowledge in counseling low- and moderate-income families to provide such services.<sup>4</sup>

(3) There is authorized to be appropriated for the purposes of this subsection, without fiscal year limitation, such sums as may be necessary.<sup>5</sup> Any amounts so appropriated shall remain available until expended.

(b) (1) The Secretary is authorized to make loans to nonprofit organizations or public housing agencies<sup>6</sup> for the necessary expenses, prior to constructions, in planning, and obtaining financing for, the rehabilitation or construction of housing for low- or moderate-income families under section 235<sup>7</sup> of the National Housing Act or any other federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and

<sup>1</sup> Sec. 811(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a new subsection (iii).

<sup>2</sup> Sec. 811(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a new subsection (iv).

<sup>3</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 106(a)(2) to be read as set forth in the text.

<sup>4</sup> Sec. 811(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, redesignated para. (2) as para. (3) and inserted this new section (2).

<sup>5</sup> Sec. 811(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "not to exceed \$5,000,000" and inserted "such sums as may be necessary" in redesignated para. (3).

<sup>6</sup> Sec. 811(e) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or public housing agencies" immediately following "nonprofit organizations".

<sup>7</sup> Sec. 903(b), Housing and Urban Development Act of 1970, substituted "section 235 of the National Housing Act or any other federally assisted program" for "any federally assisted program".



mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization or public housing agency<sup>1</sup> meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated<sup>2</sup> for the purposes of this subsection not to exceed \$7,500,000 for the fiscal year ending June 30, 1969, and not to exceed \$10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

#### NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a) (1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

<sup>1</sup> Sec. 811(f) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or public housing agency" immediately following "nonprofit organization".

<sup>2</sup> The Supplemental Appropriation Act, 1969, Public Law 90-608, approved October 21, 1968, 82 Stat. 1190, 1194, appropriated \$500,000 to the low and moderate income sponsor fund authorized by sec. 106.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Foundation shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b) (1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board,



however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding \$100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c)(1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the



quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or service provided under this subsection.

(d)(1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or

designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g) (1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government. Such audit shall be made at least once in every three years.<sup>1</sup>

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than six and one-half months following the close of the last year covered by such audit.<sup>2</sup> The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy

<sup>1</sup> Sec. 604(1) of General Accounting Office Act of 1974, Public Law 93-604, 88 Stat. 1959, approved January 2, 1975, added this sentence: "Such audit shall be made at least once in every three years."

<sup>2</sup> Sec. 604(2) of General Accounting Office Act of 1974, Public Law 93-604, 88 Stat. 1959, approved January 2, 1975, substituted this sentence: "A report of each such audit shall be made by the Comptroller General to the Congress not later than six and one-half months following the close of the last year covered by such audit.", in lieu of first sentence of this paragraph (2).



of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed \$10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

#### NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233 (a) (2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with



a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

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#### INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

#### NATIONAL ADVISORY COMMISSION ON LOW INCOME HOUSING

SEC. 110. (a) (1) There is hereby established the National Advisory Commission on Low Income Housing (hereinafter referred to as the

"Commission"). The Commission shall be composed of twenty-one members as follows:

(A) Four members appointed by the President of the Senate, two from the majority party and two from the minority party;

(B) Four members appointed by the Speaker of the House of Representatives, two from the majority party and two from the minority party; and

(C) Thirteen members appointed by the President, not more than three of whom shall be from the Federal Government, and of whom four shall be representative of persons eligible for low income housing. Appointment shall be made by the President, whenever practicable, after consultation with the ranking majority and minority members of the Housing Subcommittees of the Committees on Banking and Currency of the Senate and House of Representatives.

(2) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(3) Eleven members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(4) The members of the Commission shall elect a Chairman and a Vice Chairman from the membership of the Commission.

(b) (1) The Commission shall undertake a comprehensive study and investigation, to further the policy set forth in section 2 of this Act, of practicable and effective ways of bringing decent, safe, and sanitary housing within the reach of low income families. Such study shall evaluate existing housing programs designed to assist such families, and explore new ways by which public and private resources may be more effectively utilized in meeting the housing needs of such families. In the carrying out of such study, the Commission may, where necessary or desirable, utilize the services of private research organizations, and shall, insofar as is practicable, seek to coordinate its investigation with studies undertaken, or being undertaken by the Banking and Currency Committees of the Senate and House of Representatives.

(2) The Commission shall be organized and begin its functions at the earliest possible date, and shall submit to the President and to the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969. A final report of its findings and recommendations shall be submitted to the President and the Congress not later than July 1, 1970.

(c) (1) The Commission or, on the authorization of the Commission, any subcommittee or members thereof, may, for the purpose of carrying out the provisions of this section, hold such hearings, take such testimony, and sit and act at such times and places as the Commission deems advisable. Any member authorized by the Commission may administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or members thereof.

(2) Each department, agency and instrumentality of the executive branch of the Government is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, such information as the Commission deems necessary to carry out its functions under this section.

(3) Subject to such rules and regulations as may be adopted by the Commission, the Chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates shall have the power—

(1) to appoint and fix the compensation of such staff personnel as he deems necessary, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed \$50 a day for individuals.

(d) (1) Any member of the Commission who is appointed from the executive or legislative branch of the Government shall serve without compensation in addition to that received in his regular employment, but shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by him in the performance of duties vested in the Commission.

(2) Members of the Commission, other than those referred to in paragraph (1), shall receive compensation at the rate of \$75 per day for each day they are engaged in the performance of their duties as members of the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.

(e) There are authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this section.

(f) The Commission shall cease to exist thirty days after the submission of its final report.

\* \* \* \* \*

Approved August 1, 1968.



The history of the world is a subject of great interest and importance. It is a subject which has attracted the attention of men of all ages and of all nations. The history of the world is a subject which has been the subject of many different theories and opinions. Some have thought of it as a series of events, while others have thought of it as a process. Some have thought of it as a story, while others have thought of it as a science. The history of the world is a subject which has been the subject of many different theories and opinions. Some have thought of it as a series of events, while others have thought of it as a process. Some have thought of it as a story, while others have thought of it as a science. The history of the world is a subject which has been the subject of many different theories and opinions. Some have thought of it as a series of events, while others have thought of it as a process. Some have thought of it as a story, while others have thought of it as a science.

## EXCERPTS FROM HOUSING ACT OF 1964

[Public Law 88-560, 78 Stat. 802, 20 U.S.C. 801]

TITLE VIII<sup>1</sup>—TRAINING AND FELLOWSHIP PROGRAMS

## FINDINGS AND PURPOSE

SEC. 801. (a) The Congress finds that the rapid expansion of the Nation's urban areas and urban population has caused severe problems in urban and suburban development and created a national need to (1) provide special training in skills needed for economic and efficient community development, and (2) support research in new or improved methods of dealing with community development problems.

(b) It is the purpose of this title to provide fellowships for the graduate training of professional city and regional planning, management, and housing specialists, and professionally trained personnel with a general capacity in urban affairs and problems: to make grants to and contracts with institutions of higher education (or combinations of such institutions) to assist them in planning, developing, strengthening, improving, or carrying out programs or projects for the preparation of graduate or professional students to enter the public service; and to assist and encourage the States and localities, in cooperation with public and private universities and colleges and urban centers and with business firms and associations, labor unions, and other interested associations and organizations, to (1) organize initiate, develop, and expand programs which will provide special training in skills needed for economic and efficient community development to those technical, professional, and other persons with the capacity to master and employ such skills who are, or are training to be, employed by a governmental or public body which has responsibility for community development, or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs, and (2) support State and local research that is needed in connection with housing programs and needs, public improvement programing, code problems, efficient land use, urban transportation, and similar community development problems.<sup>2</sup>

## FELLOWSHIPS FOR CITY PLANNING AND URBAN STUDIES

SEC. 802(a). The Secretary is authorized to provide fellowships for the graduate training of professional city planning, management, and

<sup>1</sup> Sec. 307, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 392, rewrote title VIII (originally enacted as title VIII, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 802, 20 U.S.C. 801) to consolidate, under one authorization, that title's program of fellowships for city planning and urban studies and the community development training program.

<sup>2</sup> Sec. 402(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended subsection (b) of sec. 801.

housing specialists, and other persons who wish to develop a general capacity in urban affairs and problems as herein provided. Persons shall be selected for such fellowships solely on the basis of ability and upon the recommendation of the Urban Studies Fellowship Advisory Board established pursuant to subsection (b). Fellowships shall be solely for training in public and private nonprofit institutions of higher education having programs of graduate study in the field of city planning or in related fields (including architecture, civil engineering, economics, municipal finance, public administration, urban affairs, and sociology) which programs are oriented to training for careers in city and regional planning, housing, urban renewal, and community development.<sup>1</sup>

(b) There is hereby established the Urban Studies Fellowship Advisory Board (hereinafter referred to as the "Board"), which shall consist of nine members to be appointed by the Secretary as follows: Three from public institutions of higher learning and three from private nonprofit institutions of higher education, who are the heads of departments which provide academic courses appropriately related to the fields referred to in subsection (a), and three from national organizations which are directly concerned with problems relating to urban, regional, and community development. The Board shall meet upon the request of the Secretary and shall make recommendations to him with respect to persons to be selected for fellowships under this section. Members of the Board shall be entitled to receive transportation expenses and a per diem in lieu of subsistence as authorized for members of advisory committees created pursuant to section 601 of the Housing Act of 1949.

#### MATCHING GRANTS TO STATES

SEC. 803. (a) Subject to the provisions of this title and in accordance with regulations prescribed by him, the Secretary may make matching grants to States to assist in—

(1) organizing, initiating, developing, or expanding programs to provide special training in skills needed for economic and efficient community development to those technical, professional, and other persons with the capacity to master and employ such skills who are, or are training to be, employed by a governmental or public body which has responsibilities for community development, or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs; and

(2) supporting State and local research that is needed in connection with housing programs and needs, public improvement programing, code problems, efficient land use, urban transportation, and similar community development problems, and collecting, collating, and publishing statistics and information relating to such research.

<sup>1</sup> Sec. 402(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended subsection (a) of sec. 802.



(b)<sup>1</sup> Grants may be made under subsection (a) to support (1) the training of persons, especially persons of low income, in acquiring the skills needed in the management of housing for low- and moderate-income persons, and (2) research and the dissemination of information with respect to the problems involved in the management of housing for low- and moderate-income persons.

(c) No grants may be made to a State under this section unless the Secretary has approved a plan for the State which—

(1) sets forth the proposed use of the funds and the objectives to be accomplished;

(2) explains the method by which the required amounts from non-Federal sources will be obtained;

(3) provides such fiscal control and fund accounting procedures as may be reasonably necessary to assure proper disbursement of, and accounting for, Federal funds paid to the State under this section;

(4) designates an officer or agency of the State government who has responsibility and authority for the administration of a statewide research and training program as the officer or agency with responsibility and authority for the execution of the State's program under this section; and

(5) provides that such officer or agency will make such reports to the Secretary, in such form, and containing such information, as may be reasonably necessary to enable the Secretary to perform his duties under this section.

(d) No grant may be made under this section for any use unless an amount at least equal to such grant is made available from non-Federal sources for the same purpose and for concurrent use.

#### PROJECT GRANTS AND CONTRACTS

SEC. 804. (a) The Secretary is authorized to make grants to or contracts with institutions of higher education, or combinations of such institutions, to assist them in planning, developing, strengthening, improving, or carrying out programs or projects (1) for the preparation of graduate or professional students in the fields of city and regional planning and management, housing, and urban affairs, or (2) for research into, or development or demonstration of, improved methods of education for these professions. Such grants or contracts may include payment of all or part of the cost of programs or projects.

(b) (1) A grant or contract authorized by this section shall be made only upon application to the Secretary at such time or times and containing such information as he may prescribe, except that no such application shall be approved unless it—

(A) sets forth programs, activities, research, or development for which a grant is authorized under this section;

(B) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this subsection; and

<sup>1</sup> Sec. 904, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1809, inserted this new subsection (b) and redesignated the former subsections (b) and (c) as subsections (c) and (d) respectively.

(C) provides for making such reports, in such form and containing such information, as the Secretary may require to carry out his functions under this subsection, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports.

(2) Payments under this section may be used, in accordance with regulations of the Secretary, and subject to the terms and conditions set forth in an application approved under paragraph (1), to pay part of the compensation of students employed in professions referred to in subsection (a) (1), except students employed in any branch of the Government of the United States, as part of a program for which a grant has been approved pursuant to this subsection.<sup>1</sup>

#### STATE LIMIT

SEC. 805.<sup>2</sup> Not more than 10 per centum of the total amount appropriated for the purposes of this title may be used for making grants to any one State.

#### TECHNICAL ASSISTANCE, STUDIES, AND PUBLICATION OF INFORMATION

SEC. 806. In order to carry out the purpose of this title, the Secretary is authorized to provide technical assistance to State and local governmental or public bodies and to undertake such studies and publish and distribute such information, either directly or by contract, as he shall determine to be desirable. Nothing contained in this title shall limit any authority of the Secretary under any other provision of law.

#### APPROPRIATION

SEC. 807. There is authorized to be appropriated for the purpose of making grants and providing fellowships under this title, without fiscal year limitation, not to exceed \$30,000,000, which amount shall be increased by \$3,500,000 on July 1, 1974, and by \$3,500,000 on July 1, 1975.<sup>3</sup> Any amounts appropriated under this section shall remain available until expended.

#### MISCELLANEOUS

SEC. 808. (a) As used in this title the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands; and the term "Secretary" means the Secretary of Housing and Urban Development.

(b) There are authorized to be appropriated such sums as may be necessary for administrative and other expenses in carrying out this title.

Approved December 24, 1969.

<sup>1</sup> Sec. 402(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted this new section 804.

<sup>2</sup> Sec. 402(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, redesignated paragraphs 804 through 807 as paragraphs 805 through 808.

<sup>3</sup> Sec. 402(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "which amount shall be increased by \$3,500,000 on July 1, 1974, and by \$3,500,000 on July 1, 1975".

# EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

[Public Law 95-128, 91 Stat. 1149; 42 USC 3540]

## PROTOTYPE COSTS

SEC. 904.<sup>1</sup> (a) Beginning in calendar year 1979, the Secretary of Housing and Urban Development shall prepare and publish annually prototype housing costs for one- to four-family dwelling units for each housing market area in the United States, as determined by the Secretary. Prototype housing costs for an area shall be determined on the basis of the Secretary's identification and estimate of reasonable construction and other costs (including reasonable allowances for the cost of land and site improvements) for that area of various types and sizes of new one- to four-family dwelling units designed for various segments of the housing market of the area, as determined by the Secretary. In determining prototype housing costs, the Secretary is authorized to take into account the need for durability required for economic maintenance of housing, the need for amenities suitable to assure a safe and healthy family life and neighborhood environment, the application of good design and quality in architecture, and the need for maximum conservation of energy, as well as the advice and recommendations of local housing producers.

(b) The Secretary is authorized to take such action as may be necessary to develop, aggregate, and evaluate data and other information required for the timely development, implementation, and maintenance of the prototype housing cost system referred to in subsection (a).

## EXCERPTS FROM THE DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966

[Public Law 89-754, 80 Stat. 1255, 1282; 42 U.S.C. 3351]

# TITLE IX—URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES

## PURPOSE

SEC. 901. It is the purpose of this title to assist States to make available information and data on urban needs and assistance programs and activities, and to provide technical assistance, to small communities with respect to the solution of urban problems.

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added this new section.



## GRANT AUTHORITY

SEC. 902. (a) The Secretary is authorized to make grants to States to help finance programs to provide information and data on urban needs and assistance programs and activities, and to provide technical assistance, to small communities with respect to the solution of local problems. Activities aided by such grants may include—

(1) the assembly, correlation, and dissemination of urban physical, social, and economic development information and data for the purpose of informing local governments of small communities, and interested organizations and individuals, of the availability and status of Federal, State, and local programs and other resources and data for the solution of urban problems; and

(2) providing technical assistance with respect to the solution of urban problems to any small community requesting such assistance.

(b) A program assisted under this section shall—

(1) specify the information and technical assistance activities to be carried on and justify the needs for the costs of such activities; and

(2) represent substantially increased or improved activities on the part of the applicant State agency.

## AMOUNT OF GRANT

SEC. 903. (a) A grant under this section shall not exceed 50 per centum of the cost of the activities carried on under an approved urban information and technical assistance program.

(b) No grant shall be made under this title to assist in assembling data, or providing information, to be used primarily in the day to day operations of State or local governing bodies and agencies.

## COOPERATION AND COORDINATION

SEC. 904. (a) Federal departments and agencies shall cooperate with States in providing information to assist in carrying out the purpose of this title.

(b) In the administration of this title, the Secretary shall seek to ensure the greatest practicable coordination of urban information and technical assistance programs established under this title.

## DEFINITIONS

SEC. 905. As used in this title—

(1) "State" means any State of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, or an agency or instrumentality designated by the chief executive of any of the foregoing, or a statewide agency or instrumentality of its political subdivisions designated by such chief executive.

(2) "Secretary" means the Secretary of Housing and Urban Development.

(3) "Small communities" means communities having populations of less than one hundred thousand according to the most recent decennial census.

APPROPRIATIONS

SEC. 906. There are authorized to be appropriated <sup>1</sup> for the purpose of carrying out the provisions of this title not to exceed \$2,500,000 for the fiscal year ending June 30, 1967, not to exceed \$5,000,000 for each of the fiscal years 1968 and 1969,<sup>2</sup> and not to exceed \$15,000,000 for fiscal year 1970. Any amounts appropriated under this section shall remain available until expended, and <sup>3</sup> any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1972.<sup>4</sup>

\* \* \* \* \*

Approved November 3, 1966.

EXCERPT FROM TITLE 15, UNITED STATES CODE

§ 694b. Authority of Administration <sup>5</sup> to guarantee surety against loss from principal's breach of bond—Limitation of liability; conditions

(a) The Administration may, in consultation with the Secretary of Housing and Urban Development and upon such terms and conditions as it may prescribe, guarantee and enter into commitments to guarantee any surety against loss, as hereinafter provided, as the result of the breach of the terms of a bid bond, payment bond, or performance bond by a principal on any contract up to \$1,000,000 in amount, subject to the following conditions:

(1) The person who would be the principal of the bond is a small business concern.

(2) The bond is required in order for such person to bid on a contract, or to serve as a prime contractor or subcontractor thereon.

(3) Such person is not able to obtain such bond on reasonable terms and conditions without a guarantee under this section.

(4) The Administration determines that there is a reasonable expectation that such person will perform the covenants and conditions of the contract with respect to which the bond is required.

(5) The contract meets requirements established by the Administration for feasibility of successful completion and reasonableness of cost.

(6) The terms and conditions of any bond guaranteed under the authority of this part are reasonable in light of the risks involved and the extent of the surety's participation.

EXTENT OF LIABILITY

(b) Any contract of guarantee under this section shall obligate the Administration to pay to the surety a sum not to exceed 90 per centum

<sup>1</sup> The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, Public Law 90-121, approved November 3, 1967, 81 Stat. 341, 355, appropriated \$2.2 million for grants under this title.

The President requested \$5 million in 1968, but no amount was appropriated.

<sup>2</sup> Sec. 1703(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 603, added authorizations of \$5 million for fiscal 1969, and \$15 million for fiscal 1970.

<sup>3</sup> Sec. 1703(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 603, added the balance of this sentence.

<sup>4</sup> Sec. 305, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1781, substituted "July 1, 1972" for "July 1, 1971".

<sup>5</sup> "Administration" means "Small Business Administration".

of the loss incurred by the surety in fulfilling the terms of his contract as the result of the breach by the principal of the terms of a bid bond, performance bond, or payment bond.

ADMINISTRATION OF PROGRAM; UNIFORM ANNUAL FEES; PROCESSING FEES; BOND FEES; PUBLICATION OF PROGRAM COSTS; STUDY AND REPORT TO CONGRESS OF ECONOMIC SOUNDNESS OF PROGRAM

(c) The Administration shall administer this program on a prudent and economically justifiable basis and shall fix a uniform annual fee which it deems reasonable and necessary for any guarantee issued under this section, to be payable at such time and under such conditions as may be determined by the Administration. Such fee shall be subject to periodic review in order that the lowest fee that experience under the program shows to be justified will be placed into effect. The Administration shall also fix such uniform fees for the processing of applications for guarantees under this section as it determines are reasonable and necessary to pay administrative expenses incurred in connection therewith. Any contract of guarantee under this section shall obligate the surety to pay the Administration such portions of the bond fee as the Administration determines to be reasonable in the light of the relative risks and costs involved. Within 30 days after the date of enactment of this sentence and at monthly intervals thereafter, the Administration shall publish the cost of the program to the Administration for the month immediately preceding the date of publication. The Administration shall conduct a study of the program in order to determine what must be done to make the program economically sound. Within one year after August 23, 1974, the Administration shall transmit a report to Congress containing a detailed statement of the findings and conclusions of the study, together with its recommendations for such legislative and administrative actions as it deems appropriate.

Approved August 21, 1958.

#### EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1970

[Public Law 91-609, 84 Stat. 1770]

SEC. 911. (b) (1) The Secretary of Housing and Urban Development is authorized to take such steps and carry out such activities as he determines to be necessary or desirable to provide, either directly or by contract or other arrangement, technical assistance to any contractor or subcontractor for whom a bid, payment, or performance bond is guaranteed under part B of title IV of the Small Business Investment Act of 1958 in connection with any construction contract, in order to assist such contractor or subcontractor in obtaining or carrying out such contract.

(2) There are authorized to be appropriated for each of the first three fiscal years ending after the date of the enactment of this Act such sums, not to exceed \$1,500,000, as may be necessary to enable the Secretary to carry out his functions under paragraph (1).

\* \* \* \* \*

Approved December 31, 1970.



## INTERNATIONAL HOUSING AND URBAN DEVELOPMENT

### EXCERPT FROM THE HOUSING ACT OF 1957

[Public Law 85-104, 85th Congress, 71 Stat. 294, 304; 12 U.S.C. 1701d-4]

#### EXCHANGE OF DATA

SEC. 604.<sup>1</sup> (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States.

\* \* \* \* \*

Approved July 12, 1957.

<sup>1</sup> Prior to amendment by sec. 1709, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 606, sec. 604 read as follows: "The Secretary of Housing and Urban Development shall exchange data relating to housing and urban planning and development with other nations where such exchange is deemed by him to be beneficial to the programs of the Department of Housing and Urban Development."

## EXCERPTS FROM THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

[Public Law 87-195, 75 Stat. 424; 22 U.S.C. 2151 et seq.]

\* \* \* \* \*

TITLE III—HOUSING GUARANTIES<sup>1</sup>

SEC. 221. WORLDWIDE HOUSING GUARANTIES.—In order to facilitate and increase the participation of private enterprise in furthering the development of the economic resources and productive capacities of less developed friendly countries and areas, and promote the development of thrift and credit institutions engaged in programs of mobilizing local savings for financing the construction of self-liquidating housing projects and related community facilities, the President is authorized to issue guaranties, on such terms and conditions as he shall determine, to eligible investors as defined in section 238(c), assuring against loss of loan investments for self-liquidating housing projects. The total face amount of guaranties issued hereunder, outstanding at any one time, shall not exceed \$130,000,000. Such guaranties shall be issued under the conditions set forth in section 222(b) and section 223.

SEC. 222. HOUSING PROJECTS IN LATIN AMERICAN COUNTRIES.—(a) The President shall assist in the development in the American Republics of self-liquidating housing projects, the development of institutions engaged in Alliance for Progress programs, including cooperatives, free labor unions, savings and loan type institutions, and other private enterprise programs in Latin America engaged directly or indirectly in the financing of home mortgages, the construction of homes for lower income persons and families, the increased mobilization of savings and improvement of housing conditions in Latin America.

(b) To carry out the purposes of subsection (a), the President is authorized to issue guaranties, on such terms and conditions as he shall determine, the eligible investors, as defined in section 238(c), assuring against loss of loan investment made by such investors in—

(1) private housing projects in Latin America of types similar to those insured by the Department of Housing and Urban Development and suitable for conditions in Latin America;

(2) credit institutions in Latin America engaged directly or indirectly in the financing of home mortgage, such as savings and loan institutions and other qualified investment enterprises;

(3) housing projects in Latin America for lower income families and persons, which projects shall be constructed in accordance with maximum unit costs established by the President for families and persons whose incomes meet the limitations prescribed by the President;

<sup>1</sup> Sec. 105, Foreign Assistance Act of 1969, Public Law 91-175, approved December 30, 1969, 83 Stat. 805, 807, deleted Title III (Investment Guaranties) of the Foreign Assistance Act of 1961 and substituted a new Title III. The new Title III continues the authority to issue guaranties on a worldwide basis for the construction of self-liquidating housing projects and related community facilities and also expands this program to authorize coverage for investments made to strengthen institutions engaged directly or indirectly in the mobilization of local savings and financing of housing and related community facilities. The new Title III limits to \$130 million the total face amount of guaranties that may be outstanding at any one time.

(4) housing projects in Latin America which will promote the development of institutions important to the success of the Alliance for Progress, such as free labor unions, cooperatives, and other private enterprise programs; or

(5) housing projects in Latin America, 25 per centum or more of the aggregate of the mortgage financing for which is made available from sources within Latin America and is not derived from sources outside Latin America, which projects shall, to the maximum extent practicable, have a unit cost of not more than \$8,500.

(c) The total face amount of guaranties issued hereunder or heretofore under Latin American housing guaranty authority repealed by the Foreign Assistance Act of 1969, outstanding at any one time, shall not exceed \$550,000,000: *Provided*, That \$325,000,000 of such guaranties may be used only for the purposes of subsection (b) (1).

SEC. 223. GENERAL PROVISIONS.—(a) A fee shall be charged for each guaranty issued under section 221 or section 222 in an amount to be determined by the President. In the event the fee to be charged for such type of guaranty is reduced, fees to be paid under existing contracts for the same type of guaranty may be similarly reduced.

(b) The amount of \$50,000,000 of fees accumulated under prior investment guaranty provisions repealed by the Foreign Assistance Act of 1969, together with all fees collected in connection with guaranties issued hereunder, shall be available for meeting necessary administrative and operating expenses of carrying out the provisions of this title and of prior housing guaranty provisions repealed by the Foreign Assistance Act of 1969 (including, but not limited to expenses pertaining to personnel, supplies, and printing), subject to such limitations as may be imposed in annual appropriation Acts; for meeting management and custodial costs incurred with respect to currencies or other assets acquired under guaranties made pursuant to section 221 or section 222 or heretofore pursuant to prior Latin American and other housing guaranty authorities repealed by the Foreign Assistance Act of 1969; and to pay the cost of investigating and adjusting (including costs of arbitration) claims under such guaranties; and shall be available for expenditure in discharge of liabilities under such guaranties until such time as all such property has been disposed of and all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this subsection.

(c) Any payments made to discharge liabilities under guaranties issued under section 221 or section 222 or heretofore under prior Latin American or other housing guaranty authorities repealed by the Foreign Assistance Act of 1969, shall be paid first out of fees referred to in subsection (b) (excluding amounts required for purposes other than the discharge of liabilities under guaranties) as long as such fees are available, and thereafter shall be paid out of funds, if any, realized from the sale of currencies or other assets acquired in connection with any payment made to discharge liabilities under such guaranties as long as funds are available, and finally out of funds hereafter made available pursuant to subsection (e).



(d) All guaranties issued under section 221 or section 222 or heretofore under prior Latin American or other housing guaranty authority repealed by the Foreign Assistance Act of 1969 shall constitute obligations, in accordance with the terms of such guaranties, of the United States of America and the full faith and credit of the United States of America is hereby pledged for the full payment and performance of such obligations.

(e) There is hereby authorized to be appropriated to the President such amounts, to remain available until expended, as may be necessary from time to time to carry out the purposes of this title.

(f) In the case of any loan investment guaranteed under section 221 or section 222, the agency primarily responsible for administering part I shall prescribe the maximum rate of interest allowable to the eligible investor, which maximum rate shall not be less than one-half of 1 per centum above the then current rate of interest applicable to housing mortgage insured by the Department of Housing and Urban Development. In no event shall the agency prescribe a maximum allowable rate of interest which exceeds by more than 1 per centum the then current rate of interest applicable to housing mortgages insured by such Department. The maximum allowable rate of interest under this subsection shall be prescribed by the agency as of the date the project covered by the investment is officially authorized and, prior to the execution of the contract, the agency may amend such rate at its discretion, consistent with the provisions of subsection (f).

(g) Housing guaranties committed, authorized, or outstanding under prior housing guaranty authorities repealed by the Foreign Assistance Act of 1969 shall continue subject to provisions of law originally applicable thereto and fees collected hereafter with respect to such guaranties shall be available for the purposes specified in subsection (b).

(h) No payment may be made under any guaranty issued pursuant to this title for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

(i) The authority of section 221 and section 222 shall continue until June 30, 1972.

#### SEC. 224.<sup>1</sup> HOUSING PROJECTS IN LATIN AMERICAN COUNTRIES.—

(a) It is the sense of Congress that in order to stimulate private home ownership and assist in the development of stable economies in Latin America, the authority conferred by this section should be utilized for the purpose of assisting in the development in the American

<sup>1</sup> Sec. 224, amended to read as set forth in the text by sec. 104(e), Foreign Assistance Act of 1965, Public Law 89-171, approved Sept. 6, 1965, 79 Stat. 653, 655. Prior to amendment sec. 224 read as follows:

"Sec. 224. HOUSING PROJECTS IN LATIN AMERICAN COUNTRIES.—(a) It is the sense of the Congress that in order to stimulate private home-ownership and assist in the development of stable economies, the authority conferred by this title should be utilized for the purpose of assisting in the development in the American Republics of self-liquidating pilot housing projects designed to provide experience in rapidly developing countries by participating with such countries in guaranteeing private United States capital available for investment in Latin American countries for the purposes set forth herein.

"(b) In order to carry out the purposes set forth in subsection (a), the President is authorized to issue guaranties assuring against the risks of loss specified in paragraph 221(b)(2) of investments made by United States citizens, or corporations, partnerships, or other associations created under the law of the United States or of any State or territory and substantially beneficially owned by United States citizens in pilot or demonstration private housing projects in Latin America of types similar to those insured by the Federal Housing Administration and suitable for conditions in Latin America. The total face amount of guaranties issued under this section outstanding at any one time shall not exceed \$250,000,000."

Republics of self-liquidating pilot housing projects, the development of institutions engaged in Alliance for Progress programs, including cooperatives, free labor unions, savings and loan type institutions, and other private enterprise programs in Latin America engaged directly or indirectly in the financing of home mortgages, the construction of homes for lower income persons and families, the increased mobilization of savings and the improvement of housing conditions in Latin America.

(b) To carry out the purposes of subsection (a), the President is authorized to issue guaranties, on such terms and conditions as he shall determine, to eligible United States investors as defined in section 223 assuring against loss of loan investments made by such investors in—

(1) pilot or demonstration private housing projects in Latin America of types similar to those insured by the Department<sup>1</sup> of Housing and Urban Development and suitable for conditions in Latin America;

(2) credit institutions in Latin America engaged directly or indirectly in the financing of home mortgages, such as savings and loan institutions and other qualified investment enterprises;

(3) housing projects in Latin America for lower income families and persons, which projects shall be constructed in accordance with maximum unit costs established by the President for families and persons whose incomes meet the limitations prescribed by the President;

(4) housing projects in Latin America which will promote the development of institutions important to the success of the Alliance for Progress, such as free labor unions, cooperatives, and other private enterprise programs; or

(5) housing projects in Latin America 25 per centum or more of the aggregate of the mortgage financing for which is made available from sources within Latin America and is not derived from sources outside Latin America, which projects shall, to the maximum extent practicable, have a unit cost of not more than \$6,500.

(c)<sup>2</sup> The total face amount of guaranties issued under this section outstanding at any one time shall not exceed \$550,000,000: *Provided*, That \$325,000,000 be used for the purposes of section 224(b) (1): *Provided*, That no payment may be made under this section for any loss arising out of fraud or misrepresentation for which the investor is responsible: *Provided further*, That this authority shall continue until June 30, 1971.

\* \* \* \* \*

<sup>1</sup> Sec. 104(c) (1), Foreign Assistance Act of 1966, Public Law 89-583, approved September 19, 1966, 80 Stat. 795, 798, substituted "Department of Housing and Urban Development" for "Federal Housing Administration".

<sup>2</sup> Sec. 104(d), Foreign Assistance Act of 1967, Public Law 90-137, approved November 14, 1967, 81 Stat. 445, 451, amended sec. 224(c) by substituting (a) "\$500,000,000" for "\$450,000,000", (b) "\$325,000,000" for "\$300,000,000", (c) the word "misrepresentation" for "misconduct", and (d) "June 30, 1971" for "June 30, 1969".

Sec. 104, Foreign Assistance Act of 1968, Public Law 90-554, approved Oct. 8, 1968, 82 Stat. 960, substituted "\$550,000,000" for "\$500,000,000".

# EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

[Public Law 95-557, 92 Stat. 2080, 12 U.S.C. 1715 z-19]

## TITLE II—HOUSING ASSISTANCE PROGRAMS

### OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY HOUSING PROJECTS

SEC. 201. (a) The purposes of this section are to provide assistance to restore or maintain the financial soundness, to assist in the improvement of the management, and to maintain the low- to moderate-income character of certain projects assisted or approved for assistance under the National Housing Act or under the Housing and Urban Development Act of 1965.

(b) The Secretary of Housing and Urban Development (hereinafter referred to in this section as the "Secretary") may make available, and contract to make available, to such extent and in such amounts as may be approved in appropriation Acts, financial assistance to owners of rental or cooperative housing projects meeting the requirements of this section. Such assistance shall be made on an annual basis and in accordance with the provisions of this section.

(c) a rental or cooperative housing project is eligible for assistance under this section only if such project—

(1) (A) is assisted under section 236 or the proviso of section 221(d) (5) of the National Housing Act, or under section 101 of the Housing and Urban Development Act of 1965; except that, in the case of any such project which is not insured under the National Housing Act such assistance may not be provided before October 1, 1979; or

(B) met the criteria specified in subparagraph (A) of this paragraph before the acquisition of such project by the Secretary and has been sold by the Secretary, subject to a mortgage insured or held by the Secretary and subject to an agreement (in effect during the period of assistance under this section) which provides that the low- and moderate-income character of the project will be maintained; except that, with respect to projects sold after October 1, 1978, assistance shall be available for a period not to exceed three years; and

(2) meets such other requirements consistent with the purposes of this section as the Secretary may prescribe.

(d) No assistance may be made available under this section unless the Secretary has determined that—

(1) such assistance, when considered with other resources available to the project, is necessary and, in the determination of the Secretary, will restore or maintain the financial soundness of the project and maintain the low- and moderate-income character of the project;



(2) the assistance which could reasonably be expected to be provided over the useful life of the project will be less costly to the Federal Government than other reasonable alternatives by which the Secretary could maintain the low- and moderate-income character of the project;

(3) the owner of the project, together with the mortgagee in the case of a project not insured under the National Housing Act, has provided or has agreed to provide assistance to the project in such manner as the Secretary may determine;

(4) the project is or can reasonably be made structurally sound, as determined on the basis of information obtained as a result of an onsite inspection of the project;

(5) the management of the project is being conducted by persons who meet minimum levels of competency and experience prescribed by the Secretary; and

(6) the project is being operated and managed in accordance with a management-improvement-and-operating plan which is designed to reduce the operating costs of the project, which has been approved by the Secretary, and which includes the following: (A) a detailed maintenance schedule; (B) a schedule for correcting past deficiencies in maintenance, repairs, and replacements; (C) a plan to upgrade the project to meet cost-effective energy efficiency standards prescribed by the Secretary; (D) a plan to improve financial and management control systems; (E) a detailed annual operating budget taking into account such standards for operating costs in the area as may be determined by the Secretary; and (F) such other requirements as the Secretary may determine.

(e) Prior to making assistance available to a project, the Secretary shall consult with the appropriate officials of the unit of local government in which such project is located and seek assurances that—

(1) the community in which the project is located is or will provide essential services to the project in keeping with the community's general level of such services;

(2) the real estate taxes on the project are or will be no greater than would be the case if the property were assessed in a manner consistent with normal property assessment procedures for the community; and

(3) assistance to the project under this section would not be inconsistent with local plans and priorities.

(f) (1) The Secretary may, with respect to any year, provide assistance under this section, and make commitments to provide such assistance, with respect to any project in any amount which the Secretary determines is consistent with the project's management-improvement-and-operating plan described in subsection (d) (6) and which does not exceed the sum of—

(A) an amount determined by the Secretary to be necessary to correct deficiencies in the project which exist at the beginning of the first year with respect to which assistance is made available for the project under this section, which were caused by the deferral of regularly scheduled maintenance and repairs or the failure to make necessary and timely replacements of equipment and other

components of the project, and for which payment has not previously been made;

(B) an amount determined by the Secretary to be necessary to maintain the low- and moderate-income character of the project by reducing deficiencies, which exist at the beginning of the first year with respect to which assistance is made available for the project under this section and for which payment has not previously been made, in the reserve funds established by the project owner for the purpose of replacing capital items; and

(C) an amount not greater than the amount by which the estimated operating expenses (as described in paragraph (2) of this subsection) for the year with respect to which such assistance is made available exceeds the estimated revenues to be received (as described in paragraph (2) of this subsection) by the project during such year.

(2) The estimated revenues for any project under paragraph (1) (C) of this subsection with respect to any year shall be equal to the sum of—

(A) the estimated amount of rent which is to be expended by the tenants of such project during such year, as determined by the Secretary without regard to section 236(f)(1) of the National Housing Act;

(B) the estimated amount of rental assistance payments to be made on behalf of such tenants during such year, other than assistance made under this section;

(C) the estimated amount of assistance payments to be made on behalf of the owner of such project under section 221(d)(5) or section 236 of the National Housing Act during such year; and

(D) other income attributable to the project as determined by the Secretary;

expect that—

(E) in computing the estimated amount of rent to be expended by tenants, the Secretary shall provide that (i) at least 25 percent (or such lesser percentage as is provided for under any other Federal housing assistance program in which such tenant is participating) of the income of each such tenant is included, or (ii) in the case of a tenant paying his or her own utilities, a percentage of income which is less than 25 percent and which takes into account the reasonable costs of such utilities; except that no amount shall be provided for any tenant under clause (i) or (ii) which exceeds the fair market rental charge as determined pursuant to section 236(f)(1) of the National Housing Act for such tenant; and

(F) in computing the estimated amount of rent to be expended by tenants and the estimated amount of rental assistance payments to be made on behalf of such tenants, the Secretary may permit a delinquency-and-vacancy allowance of not more than 6 per centum of the estimated amount of such rent and payments computed without regard to such allowance; except that, with respect to the first three years in which assistance is provided to a project under this section, the Secretary may permit such allowance for such project to exceed such 6 percent by an amount which the Secretary determines is appropriate to carry out the purposes of this section.

For purposes of computing estimated operating expenses of any such project with respect to any year, the Secretary shall include all estimated operating costs which the Secretary determines to be necessary and consistent with the management-improvement-and-operating plan for the project for such year, including, but not limited to, taxes, utilities, maintenance and repairs (except for maintenance and repairs which should have been performed in previous years), management, insurance, debt service, and payments made by the owner for the purpose of establishing or maintaining a reserve fund for replacement costs. The Secretary may not include in such estimated operating expenses any return on the equity investment of the owner in such project.

(3) In order to carry out the purposes of this section, the Secretary may, notwithstanding the provisions of section 236(f)(1) of the National Housing Act, provide that, for purposes of establishing a rental charge under such section, there may be excluded from the computation of the cost of operating a project an amount equivalent to the amount of assistance payments made for the project under this section.

(4) Any assistance payments made pursuant to this section with respect to any project shall be made on an annual basis, payable at such intervals, but at least quarterly, as the Secretary may determine, and may be in any amount (which the Secretary determines to be consistent with the purpose of this section), except that the sum of such assistance payments for any year may not exceed the amount computed pursuant to paragraph (1) of this subsection. The Secretary shall review the operations of the project at the time of such payments to determine that such operations are consistent with the management-improvement-and-operating plan.

(g) The Secretary is authorized to issue such rules and regulations as may be necessary to carry out the provisions and purposes of this section, including regulations requiring the establishment of a project reserve or such other safeguards as the Secretary determines to be necessary for the financial soundness of any project for which assistance payments are provided.

(h) There is authorized to be appropriated, for the purpose of providing financial assistance under this section, an amount (in addition to any amount appropriated for use under this section pursuant to section 236(f)(3)(B) of the National Housing Act, not to exceed \$74,000,000 for the fiscal year 1979. Any amounts appropriated under this section shall remain available until expended.

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#### TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS

SEC. 202. (a) The purpose of this section is to recognize the importance and benefits of cooperation and participation of tenants in creating a suitable living environment in multifamily housing projects and in contributing to the successful operation of such projects, including their good physical condition, proper maintenance, security, energy efficiency, and control of operating costs. For the purpose of this section, the term "multifamily housing project" means a project which is eligible for assistance as described in section 201(c) of this Act.

(b) The Secretary shall assure that—



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HOUSING PROJECTS

(1) where the Secretary's written approval is required with respect to an owner's action, and the Secretary deems it appropriate, tenants have adequate notice of, reasonable access to relevant information about, and an opportunity to comment on such actions (and in the case of a project owned by the Secretary, any proposed disposition of the project) and that such comments are taken into consideration by the Secretary;

(2) project owners not interfere with the efforts of tenants to obtain rent subsidies or other public assistance;

(3) leases approved by the Secretary provide that tenants may not be evicted without good cause or without adequate notice of the reasons therefor and do not contain unreasonable terms and conditions; and

(4) project owners do not impede the reasonable efforts of resident tenant organizations to represent their members or the reasonable efforts of tenants to organize.

(c) The Secretary shall promulgate regulations to carry out the provisions of this section not later than 90 days after the date of enactment of this Act.

MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY  
HOUSING PROJECTS

SEC. 203. (a) It is the policy of the United States that the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall manage and dispose of multifamily housing projects which are owned by the Secretary in a manner consistent with the National Housing Act and this section. The purpose of the property management and disposition program of the Department of Housing and Urban Development shall be to manage and dispose of projects in a manner which will protect the financial interests of the Federal Government and be less costly to the Federal Government than other reasonable alternatives by which the Secretary can further the goals of—

(1) preserving the housing units so that they can remain available to and affordable by low- and moderate-income families;

(2) preserving and revitalizing residential neighborhoods;

(3) maintaining the existing housing stock in a decent, safe, and sanitary condition;

(4) minimizing the involuntary displacement of tenants; and

(5) minimizing the need to demolish projects.

The Secretary, in determining the manner by which a project shall be managed or disposed of, may balance competing goals relating to individual projects in a manner which will further the achievement of the overall purpose of this section.

(b) The Secretary is authorized, in carrying out this section—

(1) to dispose of a multifamily housing project owned by the Secretary on a negotiated, competitive bid, or other basis, on such terms as the Secretary deems appropriate considering the low- and moderate-income character of the project and the requirements of subsection (a) of this section, to a purchaser determined by the Secretary to be capable of (A) satisfying the conditions of the disposition; (B) implementing a sound financial and

physical management program; (C) responding to the needs of the tenants and working cooperatively with resident organizations; (D) providing adequate organizational, staff and financial resources to the project; and (E) meeting such other requirements as the Secretary may determine; and

(2) to contract for management services for a multifamily housing project, owned by the Secretary, on a negotiated, competitive bid, or other basis at a price determined by the Secretary to be reasonable, with a manager the Secretary has determined is capable of (A) implementing a sound financial and physical management program, (B) responding to the needs of the tenants and working cooperatively with resident organizations, (C) providing adequate organizational, staff, and other resources to implement a management program determined by the Secretary, and (D) meeting such other requirements as the Secretary may determine.

(c) Except where the Secretary has determined on a case-by-case basis that it would be clearly inappropriate, given the manner by which an individual project is to be managed or disposed of pursuant to subsection (a) of this section, the Secretary shall seek to—

(1) maintain all occupied multifamily housing projects owned by the Secretary in a decent, safe, and sanitary condition; and

(2) to the greatest extent possible, maintain full occupancy in all multifamily housing projects owned by the Secretary.

(d)(1) Whenever tenants will be displaced as a result of the disposition of, or repairs to, a multifamily housing project owned by the Secretary, the Secretary shall identify tenants who will be displaced, and shall notify all such tenants of their pending displacement and of any relocation assistance which may be available.

(2) The Secretary shall seek to assure the maximum opportunity for any such tenant—

(A) to return, whenever possible, to a repaired unit;

(B) to occupy a unit in another multifamily housing project owned by the Secretary;

(C) to obtain housing assistance under the United States Housing Act of 1937; or

(D) to receive any other available relocation assistance as the Secretary determines to be appropriate.

(e) Notwithstanding any other provision of law, whenever the Secretary is requested to accept assignment of a mortgage insured by the Secretary which covers a multifamily housing project, and the Secretary determines that partial payment would be less costly to the Federal Government than other reasonable alternatives for maintaining the low- and moderate-income character of the project, the Secretary may request the mortgage in lieu of assignment, to accept partial payment of the claim under the mortgage insurance contract and to recast the mortgage, under such terms and conditions as the Secretary may determine. As a condition to a partial claim payment under this section, the mortgagor shall agree to repay to the Secretary the amount of such payment and such obligation shall be secured by a second mortgage on the property on such terms and conditions as the Secretary may determine.

§ 204 and § 207 OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY  
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(f) For the purpose of this section, the term "multifamily housing project" means a multifamily project which is, or prior to acquisition by the Secretary was, assisted under section 236, the proviso of section 221 (d) (5) of the National Housing Act, or section 101 of the Housing and Urban Development Act of 1965, and which is insured under the National Housing Act.

(g) The Secretary shall issue such rules and regulations as may be necessary to carry out the provisions of this section within 90 days after the date of enactment of this Act.

HOUSING ACCESS

[12 U.S.C. 1701Z-12]

SEC. 204. The Secretary shall require any purchaser of a multifamily housing project owned by the Secretary which is sold on or after October 1, 1978, to agree not to refuse unreasonably to lease a vacant dwelling unit in the project which rents for an amount not greater than the fair market rent for a comparable unit in the area as determined by the Secretary under section 8 of the United States Housing Act of 1937 to a holder of a certificate of eligibility under that section solely because of such prospective tenant's status as a certificate holder.

\* \* \* \* \*

PUBLIC HOUSING SECURITY

[12 U.S.C. 1701Z-6]<sup>1</sup>

SEC. 207. (a) This section may be cited as the "Public Housing Security Demonstration Act of 1978".

(b) (1) The Congress finds that—

(A) low-income and elderly public housing residents of the Nation have suffered substantially from rising crime and violence, and are being threatened as a result of inadequate security arrangements for the prevention of physical violence, theft, burglary, and other crimes;

(B) older persons generally regard the fear of crime as the most serious problem in their lives, to the extent that one-fourth of all Americans over 65 voluntarily restrict their mobility because of it;

(C) crime and the fear of crime have led some residents to move from public housing projects;

(D) an integral part of successfully providing decent, safe, and sanitary dwellings for low-income persons is to insure that the housing is secure;

(E) local public housing authorities may have inadequate security arrangements for the prevention of crime and vandalism; and

(F) action is needed to provide for the security of public housing residents and to preserve the Nation's investment in its public housing stock.

<sup>1</sup> Public Housing Security Demonstration Act of 1978, enacted by Housing and Community Development Amendments of 1978, Sec. 207, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.



(2) It is, therefore, declared to be the policy of the United States to provide for a demonstration and evaluation of effective means of mitigating crime and vandalism in public housing projects, in order to provide a safe living environment for the residents, particularly the elderly residents, of such projects.

(c)(1) The Secretary of Housing and Urban Development shall promptly initiate and carry out during the fiscal year beginning on October 1, 1978, to the extent approved in appropriation Acts, a program for the development, demonstration, and evaluation of improved, innovative community anticrime and security methods, concepts and techniques which will mitigate the level of crime in public housing projects and their surrounding neighborhoods.

(2) In selecting public housing projects to receive assistance under this section, the Secretary shall assure that a broad spectrum of project types, locations and tenant populations are represented and shall consider at least the following: The extent of crime and vandalism currently existing in the project; the extent, nature and quality of community anticrime efforts in the projects and surrounding areas; the extent, nature and quality of police and other protective services available to the projects and their tenants; the demand for public housing units in the locality, the vacancy rate, and extent of abandonment of such units; and the characteristics and needs of the public housing tenants.

(3) In selecting the anticrime and security methods, concepts and techniques to be demonstrated under this section, the Secretary shall consider the improvement of physical security equipment or dwelling units in those projects, social and environmental design improvements, tenant awareness and volunteer programs, tenant participation and employment in providing security services, and such other measures as deemed necessary or appropriate by the Secretary. Particular attention shall be given to comprehensive community anticrime and security plans submitted by public housing authorities which (i) provide for coordination between public housing management and local law enforcement officials, or (ii) coordinate resources available to the community through programs funded by the Law Enforcement Assistance Administration, the Department of Health, Education, and Welfare, the Department of Labor, the Community Services Administration, and ACTION, or other Federal or State agencies.

(4) In carrying out the provisions of this section, the Secretary shall coordinate and jointly target resources with other agencies, particularly the Law Enforcement Assistance Administration, the Department of Health, Education, and Welfare, the Department of Labor, the Community Services Administration, and ACTION.

(d) The Secretary shall initiate and carry out a survey of crime and vandalism existing in the Nation's public housing projects. The survey shall include the nature, extent and impact of crime and vandalism and the nature and extent of resources currently available and employed to alleviate crime and vandalism in public housing.

(e) The Secretary shall report to the Congress not later than eighteen months after the date of enactment of this Act. Such report shall include the results of the survey on crime and vandalism in public housing; findings from the demonstration and evaluation of various methods of reducing the level of crime; and legislative recommendations, if appropriate for (A) a comprehensive program to increase

security in public housing projects and (B) increasing the coordination between anticrime programs of other State and Federal agencies that may be used by public housing authorities. Any recommendations shall include estimated costs of such programs.

(f) Of the additional authority approved in appropriation Acts with respect to entering into annual contributions contracts under section 5(c) of the United States Housing Act of 1937 for the fiscal year beginning on October 1, 1978, the Secretary may utilize up to \$12,000,000 of such authority in the fiscal year beginning on October 1, 1978, for the establishment of the public housing security demonstration program authorized by this section.

**EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT ACT  
OF 1974**

[Public Law 93-383, 88 Stat. 633]

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**STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES**

SEC. 802. (a) It is the purpose of this section to encourage the formation and effective operation of State housing finance agencies and State development agencies which have authority to finance, to assist in carrying out, or to carry out activities designed to (1) provide housing and related facilities through land acquisition, construction, or rehabilitation, for persons and families of low, moderate, and middle income, (2) promote the sound growth and development of neighborhoods through the revitalization of slum and blighted areas, (3) increase and improve employment opportunities for the unemployed and underemployed through the development and redevelopment of industrial, manufacturing, and commercial facilities, or (4) implement the development aspects of State land use and preservation policies, including the advance acquisition of land where it is consistent with such policies. The Secretary of Housing and Urban Development shall encourage maximum participation by private and nonprofit developers in activities assisted under this section.

(b) (1) A State housing finance or State development agency is eligible for assistance under this section only if the Secretary determines that it is fully empowered and has adequate authority to at least carry out or assist in carrying out the purposes specified in clause (1) of subsection (a).

(2) for the purpose of this section—

(A) the term "State housing finance or State development agency" means any public body or agency, publicly sponsored corporation, or instrumentality of one or more States which is designated by the Governor (or Governors in the case of an interstate development agency) for purposes of this section;

(B) the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States; and

(C) the term "Secretary" means the Secretary of Housing and Urban Development.

(c) (1) The Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by State housing finance or State development agencies to finance development activities as determined by him to be in furtherance of the purpose of clause (1) or (2) of subsection (a), except that obligations issued to finance activities solely in furtherance of the purpose of clause (1) of subsection (a) may be guaranteed only



if the activities are in connection with the revitalization of slum or blighted areas under title I of this Act or under any other program determined to be acceptable by the Secretary for this purpose.

(2) The Secretary is authorized to make, and to contract to make, grants to or on behalf of a State housing finance or State development agency to cover not to exceed  $33\frac{1}{3}$  per centum of the interest payable on bonds, debentures, notes, and other obligations issued by such agency to finance development activities in furtherance of the purposes of this section.

(3) No obligation shall be guaranteed or otherwise assisted under this section unless the interest income thereon is subject to Federal taxation as provided in subsection (h) (2), except that use of guarantees provided for in this subsection shall not be made a condition to nor preclude receipt of any other Federal assistance.

(4) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section with respect to principal, interest, and any redemption premiums. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligation involved for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligation.

(5) The Secretary is authorized to establish and collect such fees and charges for and in connection with guarantees made under this section as he considers reasonable.

(6) There are authorized to be appropriated such sums as may be necessary to make payments as provided for in contracts entered into by the Secretary under paragraph (2) of this subsection, and payments pursuant to such contracts shall not exceed \$50,000,000 per annum prior to July 1, 1975, which maximum dollar amount shall be increased by \$60,000,000 on July 1, 1975. The aggregate principal amount of the obligations which may be guaranteed under this section and outstanding at any one time shall not exceed \$500,000,000.

(d) The Secretary shall take such steps as he considers reasonable to assure that bonds, debentures, notes, and other obligations which are guaranteed under subsection (c) will—

(1) be issued only to investors approved by, or meeting requirements prescribed by, the Secretary, or, if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(2) bear interest at a rate satisfactory to the Secretary;

(3) contain or be subject to repayment, maturity, and other provisions satisfactory to the Secretary; and

(4) contain or be subject to provisions with respect to the protection of the security interests of the United States, including any provisions deemed appropriate by the Secretary relating to subrogation, liens, and releases of liens, payment of taxes, cost certification procedures, escrow or trusteeship requirements, or other matters.

(e) (1) The Secretary is authorized to establish a revolving fund to provide for the timely payment of any liabilities incurred as a result of guarantees under subsection (c) and for the payment of obligations issued to the Secretary of the Treasury under paragraph (2) of this subsection. Such revolving fund shall be comprised of (A)

receipts from fees and charges; (B) recoveries under security, subrogation, and other rights; (C) repayments, interest income, and any other receipts obtained in connection with guarantees made under subsection (c); (D) proceeds of the obligations issued to the Secretary of the Treasury pursuant to paragraph (2) of this subsection; and (E) such sums, which are hereby authorized to be appropriated, as may be required for such purposes. Money in the revolving fund not currently needed for the purpose of this section shall be kept on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.

(2) The Secretary may issue obligations to the Secretary of the Treasury in an amount sufficient to enable the Secretary to carry out his functions with respect to the guarantees authorized by subsection (c). The obligations issued under this paragraph shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations so issued, and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under that Act are extended to include purchases of the obligations hereunder.

(3) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the fund authorized under this subsection, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal of any property, real or personal, acquired by him as a result of recoveries under security, subrogation, or other rights.

(f) The Secretary is authorized to provide, either directly or by contract or other arrangements, technical assistance to State housing finance or State development agencies to assist them in connection with planning and carrying out development activities in furtherance of the purpose of this section.

(g) All laborers and mechanics employed by contractors or subcontractors in housing or development activities assisted under this section shall be paid wages at rates not less than those prevailing on similar work in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5) : *Provided*, That this section shall apply to the construction of residential property only if such property is designed for residential use for eight or more families. No assistance shall be extended under this section with respect to any development activities without first obtaining adequate assurance that these labor standards will be maintained upon the work involved in such activities. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

(h) (1) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section, the Secretary, in addition to any authority otherwise vested to him, shall—

(A) have the power, notwithstanding any other provision of law, in connection with any guarantee under this section, whether before or after default, to provide by contract for the extinguishment upon default of any redemption, equitable, legal, or other right, title, or interest of a State housing finance or State development agency in any mortgage, deed, trust, or other instrument held by or on behalf of the Secretary for the protection of the security interests of the United States; and

(B) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon him by law, contract, or other agreement, and bid for and purchase at any foreclosure or other sale any property in connection with which he has provided a guarantee pursuant to this section. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease, and otherwise deal with, such property. Notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this section.

(2) With respect to any obligation issued by a State housing finance or State development agency for which the issuer has elected to receive the benefits of the assistance provided under this section, the interest paid on such obligation and received by the purchaser thereof (or his successor in interest) shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 54.

(i) (1) Section 24(a) (2) of the Federal Reserve Act (as amended by section 711 of this Act) is amended by inserting the following before the period at the end thereof: “, or to obligations guaranteed under section 802 of the Housing and Community Development Act of 1974”.

(2) The twelfth paragraph of section 5(c) of the Homeowners' Loan Act of 1933 is amended by adding in the last sentence immediately after the words “or under part B of the Urban Growth and New Community Development Act of 1970” the following: “or under section 802 of the Housing and Community Development Act of 1974”.



# EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

[PUBLIC LAW 95-557, 92 STAT. 2080; 42 U.S.C. 8001]

## TITLE IV—CONGREGATE SERVICES

### SHORT TITLE

SEC. 401. This title may be cited as the "Congregate Housing Services Act of 1978".

### FINDINGS

SEC. 402. The Congress finds that—

(1) congregate housing, coordinated with the delivery of supportive services, offers an innovative, proven, and cost-effective means of enabling temporarily disabled or handicapped individuals to maintain their dignity and independence and to avoid costly and unnecessary institutionalization;

(2) a large and growing number of elderly and handicapped residents of public housing projects and of nonprofit projects for the elderly and handicapped face premature and unnecessary institutionalization because of the absence of or deficiencies in the availability, adequacy, coordination, or delivery of the supportive services required for the successful development of adequate numbers of congregate housing projects; and

(3) supplemental supportive services, available on a secure and continuing basis, are essential to a successful congregate housing program.

### DEFINITIONS

SEC. 403. For the purpose of this title—

(1) the term "congregate housing" means (A) low-rent housing which, as of January 1, 1979, was built or under construction, with which there is connected a central dining facility where wholesome and economical meals can be served to such occupants; or (B) low-rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for such occupants;

(2) the term "congregate services programs" means programs to be undertaken by a public housing agency or a nonprofit corporation to provide assistance, including personal assistance and nutritional meals, to eligible project residents who, with such assistance, can remain independent and avoid unnecessary institutionalization;

(3) the term "elderly" means sixty-two years of age or over;

(4) the term "eligible project resident" means elderly handicapped individuals, nonelderly handicapped individuals, or temporarily disabled individuals, who are residents of congregate housing projects administered by a public housing agency or by a nonprofit corporation;

(5) the term "handicapped" means having an impairment which (A) is expected to be of long-continued and indefinite duration, and (B) substantially impedes an individual's ability to live independently unless the individual receives supportive congregate

services; such impairment may include a functional disability or frailty which is a normal consequence of the human aging process;

(6) the term "personal assistance" means service provided under this title which may include, but is not limited to, aid given to eligible project residents in grooming, dressing, and other activities which maintain personal appearance and hygiene;

(7) the term "professional assessment committee" means a group of at least three persons appointed by a local public housing agency or a nonprofit corporation and shall include qualified medical professionals and other persons professionally competent to appraise the functional abilities of elderly or permanently disabled adult persons, or both, in relation to the performance of the normal tasks of daily living;

(8) the term "temporarily disabled" means an impairment which (A) is expected to be of no more than six months' duration, and (B) substantially impedes an individual's ability to live independently unless the individual receives supportive congregate services; and

(9) the term "nonprofit corporation" means any corporation responsible for a housing project assisted under section 202 of the Housing Act of 1959.

#### AUTHORIZATION TO ENTER INTO CONTRACTS

SEC. 404. The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to enter into contracts with local public housing agencies under the United States Housing Act of 1937 (hereinafter referred to as "public housing agencies") and with nonprofit corporations, utilizing sums appropriated under this title, to provide congregate services programs for eligible project residents in order to promote and encourage maximum independence within a home environment for such residents capable of self-care with appropriate supportive congregate services. Each contract between the Secretary and a public housing agency or nonprofit corporation shall be for a term of not less than three years or more than five years and shall be renewable at the expiration of such term. Each public housing agency or nonprofit corporation entering into such a contract shall be reserved a sum equal to its total approved contract amount from the moneys authorized and appropriated for the fiscal year in which the notification date of funding approval falls.

#### CONGREGATE SERVICES PROGRAM

SEC. 405. (a) Congregate services programs assisted under this title must include full meal service adequate to meet nutritional needs, and may also include housekeeping aid, personal assistance, and other services essential for maintaining independent living.

(b) No services funded under this title may duplicate services which are already affordable, accessible, and sufficiently available on a long-term basis to eligible project residents under programs administered by or receiving appropriations through any department, agency, or instrumentality of the Federal Government or any other public or private department, agency, or organization.

(c) A public housing agency or nonprofit corporation applying for assistance shall consult with the Area Agency on Aging (or, where no Area Agency on Aging exists, with the appropriate State agency under the Older Americans Act of 1965) in determining the means of providing services under this title and in identifying alternative available sources of funding for such services.

(d) Prior to the submission of a final application for either new or renewed funding under this title, a public housing agency and a nonprofit corporation shall present a copy of a proposed application to the area Agency on Aging (or, where no Area Agency on Aging exists to the appropriate State agency under the Older Americans Act of 1965) for review and comment. Such agency and nonprofit corporation shall consider such review and comment in the development of any final application for either new or renewed funding under this title.

(e)(1) When nonelderly handicapped individuals are included among the eligible project residents, the public housing agency and nonprofit corporation shall consult with the appropriate local agency, if any, designated by applicable State law as having responsibility for the development, provision, or identification of social services to permanently disabled adults, for the purpose of determining the means of providing services under this title and of identifying alternative available sources of funding for such services.

(2) Such public housing agency and nonprofit corporation shall also, prior to the submission of a final application for either new or renewed funding under this title, present a copy of the proposed application to such appropriate local agency for review and comment. The public housing agency and nonprofit corporation shall consider such review and comment in the development of any final application for either new or renewed funding under this title.

(f) Any nonprofit corporation or public housing agency receiving assistance under this title may provide congregate services directly to eligible project residents or may, by contract or lease, provide such services through other appropriate agencies or providers.

(g) Nonprofit corporations and public housing agencies receiving assistance for congregate services programs under this title shall be required to maintain the same dollar amount of annual contribution which they were making, if any, in support of the provision of services eligible for assistance under this title before the date of the submission of the application for such assistance unless the Secretary determines that the waiver of this requirement is necessary for the maintenance of adequate levels of services to eligible project residents. If any contract or lease entered into by a public housing agency or nonprofit corporation pursuant to subsection (f) of this section provides for adjustments in payments for services to reflect changes in the cost of living, then the amount of annual contribution required to be maintained by such public agency or nonprofit corporation under the preceding sentence shall be readjusted in the same manner.

(h) Each nonprofit corporation and public housing agency shall establish fees for meal service and other appropriate services provided to eligible project residents. These fees shall be reasonable, may not exceed the cost of providing the service, and shall be calculated on a sliding scale related to income which permits the provision of services to such residents who cannot afford meal and service fees. When meal



services are provided to other project residents, fees shall be reasonable and may not exceed the cost of providing the meal service.

(i) The Secretary shall establish standards for the provision of services under this title, and, in developing such service standards, the Secretary shall consult with the Secretary of the Department of Health, Education, and Welfare and with appropriate organizations representing the elderly and handicapped, as determined by the Secretary.

#### ELIGIBILITY FOR SERVICES

SEC. 406. (a) The identification of project residents eligible to participate in a congregate services program assisted under this title, and the designation of the services appropriate to their individual functional abilities and needs, shall be made by a professional assessment committee. Such committee shall utilize procedures which insure that the process of determining eligibility of individuals for services under this title shall accord such individuals fair treatment and due process and a right of appeal of such determination of eligibility, and shall also assure the confidentiality of personal and medical records.

(b) Other residents may participate in a congregate meal service program assisted under this title if the local public housing agency or nonprofit corporation determines that the participation of these individuals will not adversely affect the cost-effectiveness or operation of the program.

(c) Any public housing agency or nonprofit corporation receiving assistance under this title shall notify the Secretary of any change in the membership of the professional assessment committee within thirty days of such change. Such notification shall list the names and professional qualifications of new members of the committee.

(d) Procedures shall be established to insure that changes in the membership of the professional assessment committee are consistent with the requirements of section 403(7) of this title.

#### APPLICATION PROCEDURES

SEC. 407. (a) An application for assistance under this title shall include—

(1) a plan specifying the types and priorities of the basic services the public housing agency or nonprofit corporation proposes to provide during the term of the contract; such plan must be related to the needs and characteristics of the eligible project residents and, to the maximum extent practicable, provide for the changing needs and characteristics of all project residents; such plan shall be determined after consultation with eligible project residents and with the professional assessment committee;

(2) a list of names and professional qualifications of the members of the professional assessment committee;

(3) the fee schedule established pursuant to section 405(h) of this title;

(4) any comment received in connection with any review of a proposed application pursuant to section 405(d) or 405(e)(2); and

(5) a statement affirming (A) that the nonprofit corporation or public housing agency has followed the consultation procedures

required in subsections (c), (d), and (e) of section 405, and (B) that such application complies with subsection (b) of such section.

(b) The Secretary shall establish appropriate deadlines for each fiscal year for the submission of applications for funding under this title and shall notify any public housing agency and nonprofit corporation applying for assistance under this title of acceptance or rejection of its application within ninety days of such submission.

(c) Within twelve months prior to the submission of an application for renewed funding under this title, each nonprofit corporation and public housing agency shall review the performance, appropriateness, and fee schedules of their congregate services program with eligible project residents and with the professional assessment committee. The results of such review shall be included in any application for renewal and shall be considered in the development of the application for renewal by the nonprofit corporation or public housing agency and in its evaluation by the Secretary.

#### EVALUATION OF APPLICATION AND PROGRAM

SEC. 408. (a) In evaluating applications for assistance under this title, the Secretary shall consider—

(1) the types and priorities of the basic services proposed to be provided, and the relationship of such proposal to the needs and characteristics of the eligible residents of the projects where the services are to be provided;

(2) how quickly services will be established following approval of the application;

(3) the degree to which local social services are adequate for the purpose of assisting eligible project residents to maintain independent living and avoid unnecessary institutionalization;

(4) the professional qualifications of the members of the professional assessment committee; and

(5) the reasonableness of fee schedules established for each congregate service.

(b) In evaluating programs receiving assistance under this title, the Secretary shall—

(1) establish procedures for the review and evaluation of the performance of nonprofit corporations and public housing agencies receiving assistance under this title, including provisions for the submission of an annual report, by each such nonprofit corporation and public housing agency, which evaluates the impact and effectiveness of its congregate services program; and

(2) publish annually and submit to the Congress, a report on and evaluation of the impact and effectiveness of congregate services programs assisted under this title. Such report and evaluation shall be based, in part, on the evaluations required to be submitted pursuant to paragraph (1).

#### FUNDING PROCEDURES

SEC. 409. (a) The Secretary shall establish procedures—

(1) to assure timely payments to nonprofit corporations and public housing agencies for approved assisted congregate services

programs with provision made for advance funding sufficient to meet necessary startup costs:

(2) to permit reallocation of funds approved for the establishment of congregate services in existing public housing projects and projects assisted under section 202 of the Housing Act of 1959 if the services are not established within six months of the notification date of funding approval;

(3) to assure that where such funding has been approved for the establishment of congregate services for public housing projects and projects assisted under section 202 of the Housing Act of 1959 under construction or approved for construction, these services shall be in place at the start of the project's occupancy by tenants requiring such services for maintaining independent living;

(4) to establish accounting and other standards in order to prevent any fraudulent or inappropriate use of funds under this title; and

(5) to assure that no more than 1 per centum of the funds appropriated under this title for any fiscal year may be used by public housing agencies and nonprofit corporations for evaluative purposes as required by section 408(b) (1).

(b) The Secretary shall establish a reserve fund, not to exceed 10 per centum of the funds appropriated in each fiscal year for the provision of services under this title, in order to supplement grants awarded to public housing agencies and nonprofit corporations under this title when, in the determination of the Secretary, such supplemental adjustments are required to maintain adequate levels of services to eligible project residents.

#### MISCELLANEOUS PROVISIONS

SEC. 410. (a) Each public housing agency and nonprofit corporation shall, to the maximum extent practicable, utilize elderly and permanently disabled adult persons who are residents of public housing projects or projects assisted under section 202 of the Housing Act of 1959, but who are not eligible project residents, to participate in providing the services assisted under this title. Such persons shall be paid wages which shall not be lower than whichever is the highest of—

(1) the minimum wage which would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 6(a) (1) of such Act applied to the resident and if he or she were not exempt under section 13 thereof;

(2) the State or local minimum wage for the most nearly comparable covered employment; or

(3) the prevailing rates of pay for persons employed in similar public occupations by the same employer.

(b) No service provided to a public housing resident or to a resident of a housing project assisted under section 202 of the Housing Act of 1959 under this title, except for wages paid under subsection (a) of this section, may be treated as income for the purpose of any other program or provision of State or Federal law.

(c) Individuals receiving services assisted under this title shall be deemed to be residents of their own households, and not to be residents of a public institution, for the purpose of any other program or provision of State or Federal law.



(d) The Secretary may issue regulations to carry out the provisions of this title.

AUTHORIZATION OF APPROPRIATIONS

SEC. 411. (a) To carry out the provisions of this title, there are authorized to be appropriated—

- (1) for fiscal year 1979, not to exceed \$20,000,000;
- (2) for fiscal year 1980, not to exceed \$25,000,000;
- (3) for fiscal year 1981, not to exceed \$35,000,000; and
- (4) for fiscal year 1982, not to exceed \$40,000,000.

(b) Sums appropriated pursuant to this section shall remain available until expended.

AMENDMENT TO THE UNITED STATES HOUSING ACT 1937

SEC. 412. Section 7 of the United States Housing Act of 1937 is amended by striking out the second sentence and inserting in lieu thereof the following: "As used in this section, the term 'congregate housing' means (1) low-rent housing which, as of January 1, 1979, was built or under construction, with which there is connected a central dining facility where wholesome and economical meals can be served to such occupants; or (2) low-rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for such occupants. Such occupants of congregate housing may also be provided with other supportive services appropriate to their needs under title IV of the Housing and Community Development Amendments of 1978.

\* \* \* \* \*

Approved October 31, 1978.



## EXCERPTS FROM CIVIL RIGHTS ACT OF 1968

[Public Law 90-284, 82 Stat. 73; 18 U.S.C. 245]

AN ACT To prescribe penalties for certain acts of violence of intimidation, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## TITLE I—INTERFERENCE WITH FEDERALLY PROTECTED ACTIVITIES

SEC. 101. (a) That chapter 13, civil rights, title 18, United States Code, is amended by inserting immediately at the end thereof the following new section, to read as follows:

## “§ 245. Federally protected activities

“(a) (1) Nothing in this section shall be construed as indicating an intent on the part of Congress to prevent any State, any possession or Commonwealth of the United States, or the District of Columbia, from exercising jurisdiction over any offense over which it would have jurisdiction in the absence of this section, nor shall anything in this section be construed as depriving State and local law enforcement authorities of responsibility for prosecuting acts that may be violations of this section and that are violations of State and local law. No prosecution of any offense described in this section shall be undertaken by the United States except upon the certification in writing of the Attorney General or the Deputy Attorney General that in his judgment a prosecution by the United States is in the public interest and necessary to secure substantial justice, which function of certification may not be delegated.

“(2) Nothing in this subsection shall be construed to limit the authority of Federal officers, or a Federal grand jury, to investigate possible violations of this section.

“(b) Whoever, whether or not acting under color of law, by force or threat of force willfully injures, intimidates or interferes with, or attempts to injure, intimidate or interfere with—

“(1) any person because he is or has been, or in order to intimidate such person or any other person or any class of persons from—

“(A) voting or qualifying to vote, qualifying for campaigning as a candidate for elective office, or qualifying or acting as a poll watcher, or any legally authorized election official, in any primary, special, or general election;

“(B) participating in or enjoying any benefit, service, privilege, program, facility, or activity provided or administered by the United States;



"(C) applying for or enjoying employment, or any perquisite thereof, by any agency of the United States;

"(D) serving, or attending upon any court in connection with possible service, as a grand or petit juror in any court of the United States;

"(E) participating in or enjoying the benefits of any program or activity receiving Federal financial assistance; or

"(2) any person because of his race, color, religion or national origin and because he is or has been—

"(A) enrolling in or attending any public school or public college;

"(B) participating in or enjoying any benefit, service, privilege, program, facility or activity provided or administered by any State or subdivision thereof;

"(C) applying for or enjoying employment, or any perquisite thereof, by any private employer or any agency of any State or subdivision thereof, or joining or using the services or advantages of any labor organization, hiring hall, or employment agency;

"(D) serving, or attending upon any court of any State in connection with possible service, as a grand or petit juror;

"(E) traveling in or using any facility of interstate commerce, or using any vehicle, terminal, or facility of any common carrier by motor, rail, water, or air;

"(F) enjoying the goods, services, facilities, privileges, advantages, or accommodations of any inn, hotel, motel, or other establishment which provides lodging to transient guests, or of any restaurant, cafeteria, lunchroom, lunch counter, soda fountain, or other facility which serves the public and which is principally engaged in selling food or beverages for consumption on the premises, or of any gasoline station, or of any motion picture house, theater, concert hall, sports arena, stadium, or any other place of exhibition or entertainment which serves the public, or of any other establishment which serves the public and (i) which is located within the premises of any of the aforesaid establishments or within the premises of which is physically located any of the aforesaid establishments, and (ii) which holds itself out as serving patrons of such establishments; or

"(3) during or incident to a riot or civil disorder, any person engaged in a business in commerce or affecting commerce, including, but not limited to, any person engaged in a business which sells or offers for sale to interstate travelers a substantial portion of the articles, commodities, or services which it sells or where a substantial portion of the articles or commodities which it sells or offers for sale have moved in commerce; or

"(4) any person because he is or has been, or in order to intimidate such person or any other person or any class of persons from—

"(A) participating, without discrimination on account of race, color, religion or national origin, in any of the benefits

or activities described in subparagraphs (1)(A) through (1)(E) or subparagraphs (2)(A) through (2)(F); or

“(B) affording another person or class of persons opportunity or protection to so participate; or

“(5) any citizen because he is or has been, or in order to intimidate such citizen or any other citizen from lawfully aiding or encouraging other persons to participate, without discrimination on account of race, color, religion or national origin, in any of the benefits of activities described in subparagraphs (1)(A) through (1)(E) or subparagraphs (2)(A) through (2)(F), or participating lawfully in speech or peaceful assembly opposing any denial of the opportunity to so participate—

shall be fined not more than \$1,000, or imprisoned not more than one year, or both; and if bodily injury results shall be fined not more than \$10,000, or imprisoned not more than 10 years, or both; and if death results shall be subject to imprisonment for any term of years or for life. As used in this section, the term ‘participating lawfully in speech or peaceful assembly’ shall not mean the aiding, abetting, or inciting of other persons to riot or to commit any act of physical violence upon any individual or against any real or personal property in furtherance of a riot. Nothing in subparagraph (2)(F) or (4)(A) of this subsection shall apply to the proprietor of any establishment which provides lodging to transient guests, or to any employee acting on behalf of such proprietor, with respect to the enjoyment of the goods, services, facilities, privileges, advantages, or accommodations of such establishment if such establishment is located within a building which contains not more than five rooms for rent or hire and which is actually occupied by the proprietor as his residence.

“(c) Nothing in this section shall be construed so as to deter any law enforcement officer from lawfully carrying out the duties of his office; and no law enforcement officer shall be considered to be in violation of this section for lawfully carrying out the duties of his office or lawfully enforcing ordinances and laws of the United States, the District of Columbia, any of the several States, or any political subdivision of a State. For purposes of the preceding sentence, the term ‘law enforcement officer’ means any officer of the United States, the District of Columbia, a State, or political subdivision of a State, who is empowered by law to conduct investigations of, or make arrests because of, offenses against the United States, the District of Columbia, a State, or a political subdivision of a State.”

(b) Nothing contained in this section shall apply to or affect activities under title VIII of this Act.

(c) The provisions of this section shall not apply to acts or omissions on the part of law enforcement officers, members of the National Guard, as defined in section 101(9) of title 10, United States Code, members of the organized militia of any State or the District of Columbia, not covered by such section 101(9), or members of the Armed Forces of the United States, who are engaged in suppressing a riot or civil disturbance or restoring law and order during a riot or civil disturbance.

\* \* \* \* \*

## TITLE VIII—FAIR HOUSING

## POLICY

SEC. 801. It is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States.

## DEFINITIONS

SEC. 802. As used in this title—

(a) "Secretary" means the Secretary of Housing and Urban Development.

(b) "Dwelling" means any building, structure, or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families, and any vacant land which is offered for sale or lease for the construction or location thereon of any such building, structure, or portion thereof.

(c) "Family" includes a single individual.

(d) "Person" includes one or more individuals, corporations, partnerships, associations, labor organizations, legal representatives, mutual companies, joint-stock companies, trusts, unincorporated organizations, trustees, trustees in bankruptcy, receivers, and fiduciaries.

(e) "To rent" includes to lease, to sublease, to let and otherwise to grant for a consideration the right to occupy premises not owned by the occupant.

(f) "Discriminatory housing practice" means an act that is unlawful under section 804, 805, or 806.

(g) "State" means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, or any of the territories and possessions of the United States.

## EFFECTIVE DATES OF CERTAIN PROHIBITIONS

SEC. 803. (a) Subject to the provisions of subsection (b) and section 807, the prohibitions against discrimination in the sale or rental of housing set forth in section 804 shall apply:

(1) Upon enactment of this title, to—

(A) dwellings owned or operated by the Federal Government;

(B) dwellings provided in whole or in part with the aid of loans, advances, grants, or contributions made by the Federal Government, under agreements entered into after November 20, 1962, unless payment due thereon has been made in full prior to the date of enactment of this title;

(C) dwellings provided in whole or in part by loans insured, guaranteed, or otherwise secured by the credit of the Federal Government, under agreements entered into after November 20, 1962, unless payment thereon has been made in full prior to the date of enactment of this title: *Provided*, That nothing contained in subparagraphs (B) and (C) of this subsection shall be applicable to dwellings solely by virtue of the fact that they are subject to mortgages held by an FDIC or FSLIC institution; and



(D) dwellings provided by the development or the redevelopment of real property purchased, rented, or otherwise obtained from a State or local public agency receiving Federal financing assistance for slum clearance or urban renewal with respect to such real property under loan or grant contracts entered into after November 20, 1962.

(2) After December 31, 1968, to all dwellings covered by paragraph (1) and to all other dwellings except as exempted by subsection (b).

(b) Nothing in section 804 (other than subsection (c)) shall apply to—

(1) any single-family house sold or rented by an owner: *Provided*, That such private individual owner does not own more than three such single-family houses at any one time: *Provided further*, That in the case of the sale of any such single-family house by a private individual owner not residing in such house at the time of such sale or who was not the most recent resident of such house prior to such sale, the exemption granted by this subsection shall apply only with respect to one such sale within any twenty-four month period: *Provided further*, That such bona fide private individual owner does not own any interest in, nor is there owned or reserved on his behalf, under any express or voluntary agreement, title to or any right to all or a portion of the proceeds from the sale or rental of, more than three such single-family houses at any one time: *Provided further*, That after December 31, 1969, the sale or rental of any such single-family house shall be excepted from the application of this title only if such house is sold or rented (A) without the use in any manner of the sales or rental facilities or the sales or rental services of any real estate broker, agent, or salesman, or of such facilities or services of any person in the business of selling or renting dwellings, or of any employee or agent of any such broker, agent, salesman, or person and (B) without the publication, posting or mailing, after notice, of any advertisement or written notice in violation of section 804(c) of this title; but nothing in this proviso shall prohibit the use of attorneys, escrow agents, abstractors, title companies, and other such professional assistance as necessary to perfect or transfer the title, or

(2) rooms or units in dwellings containing living quarters occupied or intended to be occupied by no more than four families living independently of each other, if the owner actually maintains and occupies one of such living quarters as his residence.

(c) For the purposes of subsection (b), a person shall be deemed to be in the business of selling or renting dwellings if—

(1) he has, within the preceding twelve months, participated as principal in three or more transactions involving the sale or rental of any dwelling or any interest therein, or

(2) he has, within the preceding twelve months, participated as agent, other than in the sale of his own personal residence in providing sales or rental facilities or sales or rental services in two or more transactions involving the sale or rental of any dwelling or any interest therein, or

(3) he is the owner of any dwelling designed or intended for occupancy by, or occupied by, five or more families.

## DISCRIMINATION IN THE SALE OR RENTAL OF HOUSING

SEC. 804. As made applicable by section 803 and except as exempted by sections 803(b) and 807, it shall be unlawful—

(a) To refuse to sell or rent after the making of a bona fide offer, or to refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny, a dwelling to any person because of race, color, religion, sex or national origin.

(b) To discriminate against any person in the terms, conditions, or privileges of sale or rental of a dwelling, or in the provision of services or facilities in connection therewith, because of race, color, religion, sex or national origin.

(c) To make, print, or publish, or cause to be made, printed, or published any notice, statement, or advertisement, with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination based on race, color, religion, sex or national origin, or an intention to make any such preference, limitation, or discrimination.

(d) To represent to any person because of race, color, religion, sex or national origin that any dwelling is not available for inspection, sale, or rental when such dwelling is in fact so available.

(e) For profit, to induce or attempt to induce any person to sell or rent any dwelling by representations regarding the entry or prospective entry into the neighborhood of a person or persons of a particular race, color, religion, sex<sup>1</sup> or national origin.

## DISCRIMINATION IN THE FINANCING OF HOUSING

SEC. 805. After December 31, 1968, it shall be unlawful for any bank, building and loan association, insurance company or other corporation, association, firm or enterprise whose business consists in whole or in part in the making of commercial real estate loans, to deny a loan or other financial assistance to a person applying therefor for the purpose of purchasing, constructing, improving, repairing, or maintaining a dwelling, or to discriminate against him in the fixing of the amount, interest rate, duration, or other terms or conditions of such loan or other financial assistance, because of the race, color, religion, sex<sup>2</sup> or national origin of such person or of any person associated with him in connection with such loan or other financial assistance or the purposes of such loan or other financial assistance, or of the present or prospective owners, lessees, tenants, or occupants of the dwelling or dwellings in relation to which such loan or other financial assistance is to be made or given: *Provided*, That nothing contained in this section shall impair the scope or effectiveness of the exception contained in section 803(b).

## DISCRIMINATION IN THE PROVISION OF BROKERAGE SERVICES

SEC. 806. After December 31, 1968, it shall be unlawful to deny any person access to or membership or participation in any multiple-listing

<sup>1</sup> Sec. 808(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added a comma and the word "sex" after the word "religion" each place it appeared in subsections (a), (b), (c), (d), and (e).

<sup>2</sup> Sec. 808(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a comma and the word "sex" immediately following the word "religion".

service, real estate brokers' organization or other service, organization, or facility relating to the business of selling or renting dwellings, or to discriminate against him in the terms or conditions of such access, membership, or participation, on account of race, color, religion, sex<sup>1</sup> or national origin.

## EXEMPTION

SEC. 807. Nothing in this title shall prohibit a religious organization, association, or society, or any nonprofit institution or organization operated, supervised or controlled by or in conjunction with a religious organization, association, or society, from limiting the sale, rental or occupancy of dwellings which it owns or operates for other than a commercial purpose to persons of the same religion, or from giving preference to such persons, unless membership in such religion is restricted on account of race, color, or national origin. Nor shall anything in this title prohibit a private club not in fact open to the public, which as an incident to its primary purpose or purposes provides lodgings which it owns or operates for other than a commercial purpose, from limiting the rental or occupancy of such lodgings to its members or from giving preference to its members.

## ADMINISTRATION

SEC. 808. (a) The authority and responsibility for administering this Act shall be in the Secretary of Housing and Urban Development.

(b) The Department of Housing and Urban Development shall be provided an additional Assistant Secretary. The Department of Housing and Urban Development Act (Public Law 89-174, 79 Stat. 667) is hereby amended by—

(1) striking the word "four," in section 4(a) of said Act (79 Stat. 668; 5 U.S.C. 624b(a)) and substituting therefor "five,"; and

(2) striking the word "six," in section 7 of said Act (79 Stat. 669; 5 U.S.C. 624(c)) and substituting therefor "seven."

(c) The Secretary may delegate any of his functions, duties, and powers to employees of the Department of Housing and Urban Development or to boards of such employees, including functions, duties, and powers with respect to investigating, conciliating, hearing, determining, ordering, certifying, reporting, or otherwise acting as to any work, business, or matter under this title. The persons to whom such delegations are made with respect to hearing functions, duties, and powers shall be appointed and shall serve in the Department of Housing and Urban Development in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. Insofar as possible, conciliation meetings shall be held in the cities or other localities where the discriminatory housing practices allegedly occurred. The Secretary shall by rule prescribe such rights of appeal from the decisions of his hearing examiners to other hearing examiners or to other officers in the Department, to boards of officers or to himself, as shall be appropriate and in accordance with law.

(d) All executive departments and agencies shall administer their programs and activities relating to housing and urban development

<sup>1</sup> Sec. 808(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a comma and the word "sex" immediately following the word "religion".



in a manner affirmatively to further the purposes of this title and shall cooperate with the Secretary to further such purposes.

(e) The Secretary of Housing and Urban Development shall—

(1) make studies with respect to the nature and extent of discriminatory housing practices in representative communities, urban, suburban, and rural, throughout the United States;

(2) publish and disseminate reports, recommendations, and information derived from such studies;

(3) cooperate with and render technical assistance to Federal, State, local, and other public or private agencies, organizations, and institutions which are formulating or carrying on programs to prevent or eliminate discriminatory housing practices;

(4) cooperate with and render such technical and other assistance to the Community Relations Service as may be appropriate to further its activities in preventing or eliminating discriminatory housing practices; and

(5) administer the programs and activities relating to housing and urban development in a manner affirmatively to further the policies of this title.

#### EDUCATION AND CONCILIATION

SEC. 809. Immediately after the enactment of this title the Secretary shall commence such educational and conciliatory activities as in his judgment will further the purposes of this title. He shall call conferences of persons in the housing industry and other interested parties to acquaint them with the provisions of this title and his suggested means of implementing it, and shall endeavor with their advice to work out programs of voluntary compliance and of enforcement. He may pay per diem, travel, and transportation expenses for persons attending such conferences as provided in section 5703 of title 5 of the United States Code. He shall consult with State and local officials and other interested parties to learn the extent, if any, to which housing discrimination exists in their State or locality, and whether and how State or local enforcement programs might be utilized to combat such discrimination in connection with or in place of, the Secretary's enforcement of this title. The Secretary shall issue reports on such conferences and consultations as he deems appropriate.

#### ENFORCEMENT

SEC. 810. (a) Any person who claims to have been injured by a discriminatory housing practice or who believes that he will be irrevocably injured by a discriminatory housing practice that is about to occur (hereinafter "person aggrieved") may file a complaint with the Secretary. Complaints shall be in writing and shall contain such information and be in such form as the Secretary requires. Upon receipt of such a complaint the Secretary shall furnish a copy of the same to the person or persons who allegedly committed or are about to commit the alleged discriminatory housing practice. Within thirty days after receiving a complaint, or within thirty days after the expiration of any period of reference under subsection (c), the Secretary shall investigate the complaint and give notice in writing to the person

aggrieved whether he intends to resolve it. If the Secretary decides to resolve the complaint, he shall proceed to try to eliminate or correct the alleged discriminatory housing practice by informal methods of conference, conciliation, and persuasion. Nothing said or done in the course of such informal endeavors may be made public or used as evidence in a subsequent proceeding under this title without the written consent of the persons concerned. Any employee of the Secretary who shall make public any information in violation of this provision shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned not more than one year.

(b) A complaint under subsection (a) shall be filed within one hundred and eighty days after the alleged discriminatory housing practice occurred. Complaints shall be in writing and shall state the facts upon which the allegations of a discriminatory housing practice are based. Complaints may be reasonably and fairly amended at any time. A respondent may file an answer to the complaint against him and with the leave of the Secretary, which shall be granted whenever it would be reasonable and fair to do so, may amend his answer at any time. Both complaints and answers shall be verified.

(c) Wherever a State or local fair housing law provides rights and remedies for alleged discriminatory housing practices which are substantially equivalent to the rights and remedies provided in this title the Secretary shall notify the appropriate State or local agency of any complaint filed under this title which appears to constitute a violation of such State or local fair housing law, and the Secretary shall take no further action with respect to such complaint if the appropriate State or local law enforcement official has, within thirty days from the date the alleged offense has been brought to his attention, commenced proceedings in the matter, or, having done so, carries forward such proceedings with reasonable promptness. In no event shall the Secretary take further action unless he certifies that in his judgment, under the circumstances of the particular case, the protection of the rights of the parties or the interests of justice require such action.

(d) If within thirty days after a complaint is filed with the Secretary or within thirty days after expiration of any period of reference under subsection (c), the Secretary has been unable to obtain voluntary compliance with this title, the person aggrieved may, within thirty days thereafter, commence a civil action in any appropriate United States district court, against the respondent named in the complaint, to enforce the rights granted or protected by this title, insofar as such rights relate to the subject of the complaint: *Provided*, That no such civil action may be brought in any United States district court if the person aggrieved has a judicial remedy under a State or local fair housing law which provides rights and remedies for alleged discriminatory housing practices which are substantially equivalent to the rights and remedies provided in this title. Such actions may be brought without regard to the amount in controversy in any United States district court for the district in which the discriminatory housing practice is alleged to have occurred or be about to occur or in which the respondent resides or transacts business. If the court finds that a discriminatory housing practice has occurred or is about to occur, the court may, subject to the provisions of section 812, enjoin

the respondent from engaging in such practice or order such affirmative action as may be appropriate.

(e) In any proceeding brought pursuant to this section, the burden of proof shall be on the complainant.

(f) Whenever an action filed by an individual, in either Federal or State court, pursuant to this section or section 812, shall come to trial the Secretary shall immediately terminate all efforts to obtain voluntary compliance.

#### INVESTIGATIONS; SUBPENAS; GIVING OF EVIDENCE

SEC. 811. (a) In conducting an investigation the Secretary shall have access at all reasonable times to premises, records, documents, individuals, and other evidence or possible sources of evidence and may examine, record, and copy such materials and take and record the testimony or statements of such persons as are reasonably necessary for the furtherance of the investigation: *Provided, however,* That the Secretary first complies with the provisions of the Fourth Amendment relating to unreasonable searches and seizures. The Secretary may issue subpoenas to compel his access to or the production of such materials, or the appearance of such persons, and may issue interrogatories to a respondent, to the same extent and subject to the same limitations as would apply if the subpoenas or interrogatories were issued or served in aid of a civil action in the United States district court for the district in which the investigation is taking place. The Secretary may administer oaths.

(b) Upon written application to the Secretary, a respondent shall be entitled to the issuance of a reasonable number of subpoenas by and in the name of the Secretary to the same extent and subject to the same limitations as subpoenas issued by the Secretary himself. Subpoenas issued at the request of a respondent shall have on their face the name and address of such respondent and shall state that they were issued at his request.

(c) Witnesses summoned by subpoena of the Secretary shall be entitled to the same witness and mileage fees as are witnesses in proceedings in United States district courts. Fees payable to a witness summoned by a subpoena issued at the request of a respondent shall be paid by him.

(d) Within five days after service of a subpoena upon any person, such person may petition the Secretary to revoke or modify the subpoena. The Secretary shall grant the petition if he finds that the subpoena requires appearance or attendance at an unreasonable time or place, that it requires production of evidence which does not relate to any matter under investigation, that it does not describe with sufficient particularity the evidence to be produced, that compliance would be unduly onerous, or for other good reason.

(e) In case of contumacy or refusal to obey a subpoena, the Secretary or other person at whose request it was issued may petition for its enforcement in the United States district court for the district in which the person to whom the subpoena was addressed resides, was served, or transacts business.

(f) Any person who willfully fails or neglects to attend and testify or to answer any lawful inquiry or to produce records, documents, or other evidence, if in his power to do so, in obedience to the subpoena or lawful order of the Secretary, shall be fined not more than \$1,000 or



imprisoned not more than one year, or both. Any person who, with intent thereby to mislead the Secretary, shall make or cause to be made any false entry or statement of fact in any report, account, record, or other document submitted to the Secretary pursuant to his subpoena or other order, or shall willfully neglect or fail to make or cause to be made full, true, and correct entries in such reports, accounts, records, or other documents, or shall willfully mutilate, alter, or by any other means falsify any documentary evidence, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

(g) The Attorney General shall conduct all litigation in which the Secretary participates as a party or as amicus pursuant to this Act.

#### ENFORCEMENT BY PRIVATE PERSONS

SEC. 812. (a) The rights granted by sections 803, 804, 805, and 806 may be enforced by civil actions in appropriate United States district courts without regard to the amount in controversy and in appropriate State or local courts of general jurisdiction. A civil action shall be commenced within one hundred and eighty days after the alleged discriminatory housing practice occurred: *Provided, however,* That the court shall continue such civil case brought pursuant to this section or section 810(d) from time to time before bringing it to trial if the court believes that the conciliation efforts of the Secretary or a State or local agency are likely to result in satisfactory settlement of the discriminatory housing practice complained of in the complaint made to the Secretary or to the local or State agency and which practice forms the basis for the action in court: *And provided, however,* That any sale, encumbrance, or rental consummated prior to the issuance of any court order issued under the authority of this Act, and involving a bona fide purchaser, encumbrancer, or tenant without actual notice of the existence of the filing of a complaint or civil action under the provisions of this Act shall not be affected.

(b) Upon application by the plaintiff and in such circumstances as the court may deem just, a court of the United States in which a civil action under this section has been brought may appoint an attorney for the plaintiff and may authorize the commencement of a civil action upon proper showing without the payment of fees, costs, or security. A court of a State or subdivision thereof may do likewise to the extent not inconsistent with the law or procedures of the State or subdivision.

(c) The court may grant as relief, as it deems appropriate, any permanent or temporary injunction, temporary restraining order, or other order, and may award to the plaintiff actual damages and not more than \$1,000 punitive damages, together with court costs and reasonable attorney fees in the case of a prevailing plaintiff: *Provided,* That the said plaintiff in the opinion of the court is not financially able to assume said attorney's fees.

#### ENFORCEMENT BY THE ATTORNEY GENERAL

SEC. 813. (a) Whenever the Attorney General has reasonable cause to believe that any person or group of persons is engaged in a pattern or practice of resistance to the full enjoyment of any of the rights granted by this title, or that any group of persons has been denied any of the rights granted by this title and such denial raises an issue of

general public importance, he may bring a civil action in any appropriate United States district court by filing with it a complaint setting forth the facts and requesting such preventive relief, including an application for a permanent or temporary injunction, restraining order, or other order against the person or persons responsible for such pattern or practice or denial of rights, as he deems necessary to insure the full enjoyment of the rights granted by this title.

#### EXPEDITION OF PROCEEDINGS

SEC. 814. Any court in which a proceeding is instituted under section 812 or 813 of this title shall assign the case for hearing at the earliest practicable date and cause the case to be in every way expedited.

#### EFFECT ON STATE LAWS

SEC. 815. Nothing in this title shall be construed to invalidate or limit any law of a State or political subdivision of a State, or of any other jurisdiction in which this title shall be effective, that grants, guarantees, or protects the same rights as are granted by this title; but any law of a State, a political subdivision, or other such jurisdiction that purports to require or permit any action that would be a discriminatory housing practice under this title shall to that extent be invalid.

#### COOPERATION WITH STATE AND LOCAL AGENCIES ADMINISTERING FAIR HOUSING LAWS

SEC. 816. The Secretary may cooperate with State and local agencies charged with the administration of State and local fair housing laws and, with the consent of such agencies, utilize the services of such agencies and their employees and, notwithstanding any other provision of law, may reimburse such agencies and their employees for services rendered to assist him in carrying out this title. In furtherance of such cooperative efforts, the Secretary may enter into written agreements with such State or local agencies. All agreements and terminations thereof shall be published in the Federal Register.

#### INTERFERENCE, COERCION, OR INTIMIDATION

SEC. 817. It shall be unlawful to coerce, intimidate, threaten, or interfere with any person in the exercise or enjoyment of, or on account of his having exercised or enjoyed, or on account of his having aided or encouraged any other person in the exercise or enjoyment of, any right granted or protected by section 803, 804, 805, or 806. This section may be enforced by appropriate civil action.

#### APPROPRIATIONS

SEC. 818. There are hereby authorized to be appropriated such sums as are necessary to carry out the purposes of this title.

#### SEPARABILITY OF PROVISIONS

SEC. 819. If any provision of this title or the application thereof to any person or circumstances is held invalid, the remainder of the title

and the application of the provision to other persons not similarly situated or to other circumstances shall not be affected thereby.

## TITLE IX

### PREVENTION OF INTIMIDATION IN FAIR HOUSING CASES

SEC. 901. Whoever, whether or not acting under color of law, by force or threat of force willfully injures, intimidates or interferes with, or attempts to injure, intimidate or interfere with—

(a) any person because of his race, color, religion, sex<sup>1</sup> or national origin and because he is or has been selling, purchasing, renting, financing, occupying, or contracting or negotiating for the sale, purchase, rental, financing or occupation of any dwelling, or applying for or participating in any service, organization, or facility relating to the business of selling or renting dwellings; or

(b) any person because he is or has been, or in order to intimidate such person or any other person or any class of persons from—

(1) participating, without discrimination on account of race, color, religion, sex<sup>1</sup> or national origin, in any of the activities, services, organizations or facilities described in subsection 901(a); or

(2) affording another person or class of persons opportunity or protection to so participate; or

(c) any citizen because he is or has been, or in order to discourage such citizen or any other citizen from lawfully aiding or encouraging other persons to participate, without discrimination on account of race, color, religion, sex<sup>1</sup> or national origin, in any of the activities, services, organizations or facilities described in subsection 901(a), or participating lawfully in speech or peaceful assembly opposing any denial of the opportunity to so participate—

shall be fined not more than \$1,000 or imprisoned not more than one year, or both; and if bodily injury results shall be fined not more than \$10,000, or imprisoned not more than ten years, or both; and if death results shall be subject to imprisonment for any term of years or for life.

\* \* \* \* \*

Approved April 11, 1968.

### EXCERPT FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93-383, 88 Stat. 633]

\* \* \* \* \*

### PROHIBITION AGAINST DISCRIMINATION ON ACCOUNT OF SEX IN EXTENSION OF MORTGAGE ASSISTANCE

SEC. 527. No federally related mortgage loan, or Federal insurance, guaranty, or other assistance in connection therewith (under this or

<sup>1</sup> Sec. 803(b)(4) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a comma and the word "sex" immediately following the word "religion" in subsection (a), para. (1) of subsection (b), and subsection (c) of this section.



any other Act), shall be denied to any person on account of sex; and every person engaged in making mortgage loans secured by residential real property shall consider without prejudice the combined income of both husband and wife for the purpose of extending mortgage credit in the form of a federally related mortgage loan to a married couple or either member thereof.

(b) For purposes of subsection (a), the term "federally related mortgage loan" means any loan which—

(1) is secured by residential real property designed principally for the occupancy of from one to four families; and

(2) (A) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by any lender which is itself regulated by any agency of the Federal Government; or

(B) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by the Secretary of Housing and Urban Development or a housing or related program administered by any other such officer or agency; or

(C) is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or from any financial institution from which it could be purchased by the Federal Home Loan Mortgage Corporation; or

(D) is made in whole or in part by any "creditor", as defined in section 103(f) of the Consumer Credit Protection Act of 1968 (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than \$1,000,000 per year.

## EQUAL OPPORTUNITY IN HOUSING

Executive Order 11063

[27 Fed. Reg. 11527]

Whereas the granting of Federal assistance for the provision, rehabilitation, or operation of housing and related facilities from which Americans are excluded because of their race, color, creed, or national origin is unfair, unjust, and inconsistent with the public policy of the United States as manifested in its Constitution and laws; and

Whereas the Congress in the Housing Act of 1949 has declared that the general welfare and security of the Nation and the health and living standards of its people require the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family; and

Whereas discriminatory policies and practices based upon race, color, creed, or national origin now operate to deny many Americans the benefits of housing financed through Federal assistance and as a consequence prevent such assistance from providing them with an alternative to substandard, unsafe, unsanitary, and overcrowded housing; and

Whereas such discriminatory policies and practices result in segregated patterns of housing and necessarily produce other forms of discrimination and segregation which deprive many Americans of equal opportunity in the exercise of their unalienable rights to life, liberty, and the pursuit of happiness; and

Whereas the executive branch of the Government, in faithfully executing the laws of the United States which authorize Federal financial assistance, directly or indirectly, for the provision, rehabilitation, and operation of housing and related facilities, is charged with an obligation and duty to assure that those laws are fairly administered and that benefits thereunder are made available to all Americans without regard to their race, color, creed, or national origin:

Now, therefore, by virtue of the authority vested in me as President of the United States by the Constitution and laws of the United States, it is ordered as follows:

### PART I—PREVENTION OF DISCRIMINATION

SECTION 101. I hereby direct all departments and agencies in the executive branch of the Federal Government, insofar as their functions relate to the provision, rehabilitation, or operation of housing and related facilities, to take all action necessary and appropriate to prevent discrimination because of race, color, creed, or national origin—

(a) in the sale, leasing, rental, or other disposition of residential property and related facilities (including land to be developed for residential use), or in the use or occupancy thereof, if such property and related facilities are—

(i) owned or operated by the Federal Government, or

(ii) provided in whole or in part with the aid of loans, advances, grants, or contributions hereafter agreed to be made by the Federal Government, or

(iii) provided in whole or in part by loans hereafter insured, guaranteed, or otherwise secured by the credit of the Federal Government, or

(iv) provided by the development or the redevelopment of real property purchased, leased, or otherwise obtained from a State or local public agency receiving Federal financial assistance for slum clearance or urban renewal with respect to such real property under a loan or grant contract hereafter entered into: and

(b) in the lending practices with respect to residential property and related facilities (including land to be developed for residential use) of lending institutions, insofar as such practices relate to loans hereafter insured or guaranteed by the Federal Government.

SEC. 102. I hereby direct the Housing and Home Finance Agency and all other executive departments and agencies to use their good offices and to take other appropriate action permitted by law, including the institution of appropriate litigation, if required, to promote the abandonment of discriminatory practices with respect to residential property and related facilities heretofore provided with Federal financial assistance of the types referred to in Section 101(a) (ii), (iii), and (iv).

## PART II—IMPLEMENTATION BY DEPARTMENTS AND AGENCIES

SEC. 201. Each executive department and agency subject to this order is directed to submit to the President's Committee on Equal Opportunity in Housing established pursuant to Part IV of this order (hereinafter sometimes referred to as the Committee), within thirty days from the date of this order, a report outlining all current programs administered by it which are affected by this order.

SEC. 202. Each such department and agency shall be primarily responsible for obtaining compliance with the purposes of this order as the order applies to programs administered by it; and is directed to cooperate with the Committee, to furnish it, in accordance with law, such information and assistance as it may request in the performance of its functions, and to report to it at such intervals as the Committee may require.

SEC. 203. Each such department and agency shall, within thirty days from the date of this order, issue such rules and regulations, adopt such procedures and policies, and make such exemptions and exceptions as may be consistent with law and necessary or appropriate to effectuate the purposes of this order. Each such department and agency shall consult with the Committee in order to achieve such consistency and uniformity as may be feasible.

## PART III—ENFORCEMENT

SEC. 301. The Committee, any subcommittee thereof, and any officer or employee designated by any executive department or agency subject to this order may hold such hearings, public or private, as the Committee, department, or agency may deem advisable for compliance, enforcement, or educational purposes.

SEC. 302. If any executive department or agency subject to this order concludes that any person or firm (including but not limited to any individual, partnership, association, trust, or corporation) or any State or local public agency has violated any rule, regulation, or procedure issued or adopted pursuant to this order, or any non-discrimination provision included in any agreement or contract pursuant to any such rule, regulation, or procedure, it shall endeavor to end and remedy such violation by informal means, including conference, conciliation, and persuasion unless similar efforts made by another Federal department or agency have been unsuccessful. In conformity with rules, regulations, procedures, or policies issued or adopted by it pursuant to Section 203 hereof, a department or agency may take such action as may be appropriate under its governing laws, including, but not limited to, the following:

It may—

(a) cancel or terminate in whole or in part any agreement or contract with such person, firm, or State or local public agency providing for a loan, grant, contribution, or other Federal aid, or for the payment of a commission or fee;

(b) refrain from extending any further aid under any program administered by it and affected by this order until it is satisfied that the affected person, firm, or State or local public agency will comply with the rules, regulations, and procedures issued or adopted pursuant to this order, and any nondiscrimination provisions included in any agreement or contract;



(c) refuse to approve a lending institution or any other lender as a beneficiary under any program administered by it which is affected by this order or revoke such approval if previously given.

SEC. 303. In appropriate cases executive departments and agencies shall refer to the Attorney General violations of any rules, regulations, or procedures issued or adopted pursuant to this order, or violations of any nondiscrimination provisions included in any agreement or contract, for such civil or criminal action as he may deem appropriate.

The Attorney General is authorized to furnish legal advice concerning this order to the Committee and to any department or agency requesting such advice.

SEC. 304. Any executive department or agency affected by this order may also invoke the sanctions provided in Section 302 where any person or firm, including a lender, has violated the rules, regulations, or procedures issued or adopted pursuant to this order, or the nondiscrimination provisions included in any agreement or contract, with respect to any program affected by this order administered by any other executive department or agency.

#### PART IV—ESTABLISHMENT OF THE PRESIDENT'S COMMITTEE ON EQUAL OPPORTUNITY IN HOUSING

SEC. 401. There is hereby established the President's Committee on Equal Opportunity in Housing which shall be composed of the Secretary of the Treasury; the Secretary of Defense; the Attorney General; the Secretary of Agriculture; the Housing and Home Finance Administrator; the Administrator of Veterans Affairs; the Chairman of the Federal Home Loan Bank Board; a member of the staff of the Executive Office of the President to be assigned to the Committee by direction of the President, and such other members as the President shall from time to time appoint from the public. The member assigned by the President from the staff of the Executive Office shall serve as the chairman and Executive Director of the Committee. Each department or agency head may designate an alternate to represent him in his absence.

SEC. 402. Each department or agency subject to this order shall, to the extent authorized by law (including § 214 of the Act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691)), furnish assistance to and defray the necessary expenses of the Committee.

#### PART V—POWERS AND DUTIES OF THE PRESIDENT'S COMMITTEE ON EQUAL OPPORTUNITY IN HOUSING

SEC. 501. The Committee shall meet upon the call of the Chairman and at such other times as may be provided by its rules. It shall: (a) adopt rules to govern its deliberations and activities; (b) recommend general policies and procedures to implement this order; (c) consider reports as to progress under this order; (d) consider any matters which may be presented to it by any of its members; and (e) make such reports to the President as he may require or the Committee shall deem appropriate. A report to the President shall be made at least once annually and shall include references to the actions taken and results achieved by departments and agencies subject to this order.

The Committee may provide for the establishment of subcommittees whose members shall be appointed by the Chairman.

SEC. 502. (a) The Committee shall take such steps as it deems necessary and appropriate to promote the coordination of the activities of departments and agencies under this order. In so doing, the Committee shall consider the overall objectives of Federal legislation relating to housing and the right of every individual to participate without discrimination because of race, color, creed, or national origin in the ultimate benefits of the Federal programs subject to this order.

(b) The Committee may confer with representatives of any department or agency, State or local public agency, civic, industry, or labor group, or any other group directly or indirectly affected by this order; examine the relevant rules, regulations, procedures, policies, and practices of any department or agency subject to this order and make such recommendations as may be necessary or desirable to achieve the purposes of this order.

(c) The Committee shall encourage educational programs by civic, educational, religious, industry, labor, and other nongovernmental groups to eliminate the basic causes of discrimination in housing and related facilities provided with Federal assistance.

SEC. 503. The Committee shall have an executive committee consisting of the Committee's Chairman and two other members designated by him from among the public members. The Chairman of the Committee shall also serve as Chairman of the Executive Committee. Between meetings of the Committee, the Executive Committee shall be primarily responsible for carrying out the functions of the Committee and may act for the Committee to the extent authorized by it.

#### PART VI—MISCELLANEOUS

SEC. 601. As used in this order, the term "departments and agencies" includes any wholly owned or mixed-ownership Government corporation, and the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the territories of the United States.

SEC. 602. This order shall become effective immediately.

JOHN FITZGERALD KENNEDY.

THE WHITE HOUSE, *November 20, 1962.*

# INTERSTATE LAND SALES

## EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476, 590; 15 U.S.C. 1701]

### TITLE XIV—INTERSTATE LAND SALES

#### SHORT TITLE

SEC. 1401. This title may be cited as the "Interstate Land Sales Full Disclosure Act."

#### DEFINITIONS

SEC. 1402. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "subdivision" means any land, located in any State or in a foreign country,<sup>1</sup> which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where subdivided land is offered for sale or lease by a single developer, or a group of developers acting in concert, and such land is contiguous or is known, designated, or advertised as a common unit or by a common name such land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan;

(4) "developer" means any person who, directly or indirectly, sells or leases, or offers to sell or lease, or advertises for sale or lease any lots in a subdivision;

(5) "agent" means any person who represents, or acts for or on behalf of, a developer in selling or leasing, or offering to sell or lease, any lot or lots in a subdivision; but shall not include an attorney at law whose representation of another person consists solely of rendering legal services;

(6) "blanket encumbrance" means a trust deed, mortgage, judgment, or any other lien or encumbrance, including an option or contract to sell or a trust agreement, affecting a subdivision or affecting more than one lot offered within a subdivision, except that such term shall not include any lien or other encumbrance arising as the result of the imposition of any tax assessment by any public authority;

<sup>1</sup> Sec. 812(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words, "located in any State or in a foreign country," immediately following the word "land".



(7) "interstate commerce" means trade or commerce among the several States or between any foreign country and any State;<sup>1</sup>

(8) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(9) "purchaser" means an actual or prospective purchaser or lessee of any lot in a subdivision;

(10) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.

#### EXEMPTIONS

SEC. 1403. (a) Unless the method of deposition is adopted for the purpose of evasion of this title, the provisions of this title shall not apply to—

(1) the sale or lease of real estate not pursuant to a common promotional plan to offer or sell fifty or more lots in a subdivision;

(2) the sale or lease of lots in a subdivision, all of which are five acres or more in size;

(3) the sale or lease of any improved land on which there is a residential, commercial, condominium,<sup>2</sup> or industrial building, or to the sale or lease of land under a contract obligating the seller to erect such a building thereon within a period of two years;

(4) the sale or lease of real estate under or pursuant to court order;

(5) the sale of evidences of indebtedness secured by a mortgage or deed of trust on real estate;

(6) the sale of securities issued by a real estate investment trust;

(7) the sale or lease of real estate by any government or government agency;

(8) the sale or lease of cemetery lots;

(9) the sale or lease of lots to any person who acquires such lots for the purpose of engaging in the business of constructing residential, commercial, or industrial buildings or for the purpose of resale or lease of such lots to persons engaged in such business;<sup>3</sup>

(10)<sup>4</sup> the sale or lease of real estate which is free and clear of all liens, encumbrances, and adverse claims if each and every purchaser or his or her spouse has made a personal on-the-lot inspection of the real estate which he purchased and if the developer

<sup>1</sup> Sec. 812(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or between any foreign country and any State" immediately before the semicolon in para. (7).

<sup>2</sup> The word "condominium," was added by Sec. 907(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>3</sup> Sec. 812(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the word "or" in para. (9).

<sup>4</sup> Immediately prior to amendment by sec. 411, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 398, sec. 1403(a)(10) read as follows:

"(10) the sale or lease of real estate which is free and clear of all liens, encumbrances, and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchased and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary. As used in this subparagraph, the term "liens," "encumbrances," and "adverse claims" are not intended to refer to property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land being developed nor to taxes and assessments which, under applicable State or local law, constitute liens on the property before they are due and payable."

executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary. As used in this subparagraph, the terms "liens", "encumbrances", and "adverse claims" do not refer to United States land patents or Federal grants and reservations similar to United States land patents, nor to <sup>1</sup> property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land being developed, nor to taxes and assessments imposed by a State, by any other public body having authority to assess and tax property, or by a property owners' association, which, under applicable State or local law, constitute liens on the property before they are due and payable, nor to beneficial property restrictions which would be enforceable by other lot owners or lessees in the subdivision, if (A) the developer, prior to the time the contract of sale or lease is entered into, has furnished each purchaser or lessee with a statement, the form and content of which has been approved by the Secretary, setting forth in descriptive and concise terms all such reservations, taxes, assessments, and restrictions which are applicable to the lot to be purchased or leased, and (B) receipt of such statement has been acknowledged in writing by the purchaser or lessee, and a copy of the acknowledged statement is filed with the Secretary in accordance with such rules and regulations as he may require; or

(11) the sale or lease of real estate which is zoned by the appropriate governmental authority for industrial or commercial development or which is restricted to such use by a declaration of covenants, conditions, and restrictions which has been recorded in the official records of the city or county in which such real estate is located,<sup>2</sup> when—

(A) local authorities have approved access from such real estate to a public street or highway;

(B) the purchaser or lessee of such real estate is a duly organized corporation, partnership, trust, or business entity engaged in commercial or industrial business;

(C) the purchaser or lessee of such real estate is represented in the transaction of sale or lease by a representative of its own selection;

(D) the purchaser or lessee of such real estate affirms in writing to the seller that it either (i) is purchasing or leasing such real estate substantially for its own use or (ii) has a binding commitment to sell, lease, or sublease such real estate to an entity which meets the requirements of subparagraph (B), is engaged in commercial or industrial business, and is not affiliated with the seller or agent; and

(E) a policy of title insurance or title opinion is issued in connection with the transaction showing that title to the real

<sup>1</sup> The phrase "United States land patents or Federal grants and reservations similar to United States land patents, nor to" was added by Sec. 907(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> That part of the subsection preceding the word "when" was amended by Sec. 907(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978. Prior to this amendment, the clause read as follows:

"(11) the sale or lease of real estate which is zoned by the appropriate governmental authority for industrial or commercial development when—"

estate purchased or leased is vested in the seller or lessor, subject only to such exceptions as may be approved in writing by such purchaser or the lessee prior to recordation of the instrument of conveyance or execution of the lease, but (i) nothing herein shall be construed as requiring the recordation of a lease, and (ii) any purchaser or lessee may waive, in writing in a separate document, the requirement of this subparagraph that a policy of title insurance or title opinion be issued in connection with the transaction.<sup>1</sup>

(b) Unless the method of disposition is adopted by the purpose of evasion of this title, the requirements of sections 1405 through 1408 shall not apply to the sale or lease of a lot which is located within a municipality or county where a unit of local government specifies minimum standards for the development of subdivision lots taking place within its boundaries, when—

(1) the subdivision meets all local codes and standards and is either zoned for single family residences or, in the absence of a zoning ordinance, is limited exclusively to single family residences;

(2) the lot is situated on a paved, public street or highway which has been built to a standard acceptable to the unit of local government in which the subdivision is located or a bond or other surety acceptable to the municipality or county in the full amount of the cost of the improvements has been posted to assure completion to such standards and the unit of local government has accepted or is obligated to accept the responsibility of maintaining the public street or highway;

(3) at the time of closing, potable water, sanitary sewage disposal, and electricity have been extended to the lot or the unit of local government is obligated to install such facilities within 180 days. For subdivisions which do not have a central water or sewage disposal system, rather than installation of water or sewer facilities, there must be assurances that an adequate potable water supply is available year-round and that the lot is approved for the installation of a septic tank;

(4) the contract of sale requires delivery of a warranty deed to the purchaser within 180 days after the signing of the sales contract;

(5) a policy of title insurance is issued in connection with the transaction showing that, at the time of closing, title to the lot purchased or leased is vested in the seller or lessor subject only to such exceptions as may be approved in writing by the purchaser or lessee prior to recordation of the deed or execution of the lease;

(6) each and every purchaser or spouse has made a personal, on-the-lot inspection of the lot purchased or leased, prior to signing of a contract to purchase or lease; and

(7) there are no direct mail or telephone solicitations or offers of gifts, trips, dinners, or other such promotional techniques to induce prospective purchasers or lessees to visit the subdivision or to purchase or lease a lot.<sup>2</sup>

<sup>1</sup> Sec. 812(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the period at the end of paragraph (10) and added “; or” and added a new section (11).

<sup>2</sup> Subsection (b) was added to Sec. 907(b), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.



(c) <sup>1</sup> The Secretary may from time to time, pursuant to rules and regulations issued by him, exempt from any of the provisions of this title any subdivision or any lots in a subdivision, if he finds that the enforcement of this title with respect to such subdivision or lots is not necessary in the public interest and for the protection of purchasers by reason of the small amount involved or the limited character of the public offering.

#### PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN SUBDIVISIONS

SEC. 1404. (a) It shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails—

(1) to sell or lease any lot in any subdivision unless a statement of record with respect to such lot is in effect in accordance with section 1407 and a printed property report, meeting the requirements of section 1408, is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser; and

(2) in selling or leasing, or offering to sell or lease, any lot in a subdivision—

(A) to employ any device, scheme, or artifice to defraud, or

(B) to obtain money or property by means of a material misrepresentation with respect to any information included in the statement of record or the property report or with respect to any other information pertinent to the lot or the subdivision and upon which the purchaser relies, or

(C) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a lot in a subdivision covered by this title, where the property report has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement until midnight of the third business day following the consummation of the transaction,<sup>2</sup> where he has received the property report less than forty-eight hours before he signed the contract or agreement, and the contract or agreement shall so provide.<sup>3</sup>

#### REGISTRATION OF SUBDIVISIONS

SEC. 1405. (a) A subdivision may be registered by filing with the Secretary a statement of record, meeting the requirements of this title and such rules and regulations as may be prescribed by the Secretary

<sup>1</sup> Formerly subsection (b). Amended by Housing and Community Development Amendments of 1978, Sec. 907(b), P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 812(c)(1)(A) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "within forty-eight hours" and inserted the words "until midnight of the third business day following the consummation of the transaction".

<sup>3</sup> Sec. 812(c)(1)(B) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a "period" after the word "provide". Prior to enactment the balance of this sentence read as follows: "except that the contract or agreement may stipulate that the foregoing revocation authority shall not apply in the case of a purchaser who (1) has received the property report and inspected the lot to be purchased or leased in advance of signing the contract or agreement, and (2) acknowledges by his signature that he has made such inspection and has read and understood such report".

in furtherance of the provisions of this title. A statement of record shall be deemed effective only as to the lots specified therein.

(b) At the time of filing a statement of record, or any amendment thereto, the developer shall pay to the Secretary a fee, not in excess of \$1,000, in accordance with a schedule to be fixed by the regulations of the Secretary, which fees may be used by the Secretary to cover all or part of the cost of rendering services under this title, and such expenses as are paid from such fees shall be considered non-administrative.

(c) The filing with the Secretary of a statement of record, or of an amendment thereto, shall be deemed to have taken place upon the receipt thereof, accompanied by payment of the fee required by subsection (b).

(d) The information contained in or filed with any statement of record shall be made available to the public under such regulations as the Secretary may prescribe and copies thereof shall be furnished to every applicant at such reasonable charge as the Secretary may prescribe.

#### INFORMATION REQUIRED IN STATEMENT OF RECORD

SEC. 1406. The statement of record shall contain the information and be accompanied by the documents specified hereinafter in this section—

(1) the name and address of each person having an interest in the lots in the subdivision to be covered by the statement of record and the extent of such interest;

(2) a legal description of, and a statement of the total area included in, the subdivision and a statement of the topography thereof; together with a map showing the division proposed and the dimensions of the lots to be covered by the statement of record and their relation to existing streets and roads;

(3) a statement of the condition of the title to the land comprising the subdivision, including all encumbrances and deed restrictions and covenants applicable thereto;

(4) a statement of the general terms and conditions, including the range of selling prices or rents at which it is proposed to dispose of the lots in the subdivision;

(5) a statement of the present condition of access to the subdivision, the<sup>1</sup> existence of any unusual conditions relating to noise or safety which affect the subdivision and are known to the developer, the availability of sewage disposal facilities and other public utilities (including water, electricity, gas and telephone facilities) in the subdivision, the proximity in miles of the subdivision to nearby municipalities, and the nature of any improvements to be installed by the developer and his estimated schedule for completion;

(6) in the case of any subdivision or portion thereof against which there exists a blanket encumbrance, a statement of the con-

<sup>1</sup> Sec. 909, Housing and Urban Development Act of 1970, Public 91-609, approved December 31, 1970, 84 Stat. 1770, 1811, inserted at this point the words "the existence of any unusual conditions relating to noise or safety which affect the subdivision and are known to the developer,".

sequences for an individual purchaser of a failure, by the person or persons bound, to fulfill obligations under the instrument or instruments creating such encumbrance and the steps, if any, taken to protect the purchaser in such eventuality;

(7) (A) copy of its articles of incorporation, with all amendments thereto, if the developer is a corporation; (B) copies of all instruments by which the trust is created or declared, if the developer is a trust; (C) copies of its articles of partnership or association and all other papers pertaining to its organization, if the developer is a partnership, unincorporated association, joint stock company, or any other form of organization; and (D) if the purported holder of legal title is a person other than developer, copies of the above documents for such person;

(8) copies of the deed or other instrument establishing title to the subdivision in the developer or other person and copies of any instrument creating a lien or encumbrance upon the title of developer or other person or copies of the opinion or opinions of counsel in respect to the title to the subdivision in the developer or other person or copies of the title insurance policy guaranteeing such title;

(9) copies of all forms of conveyance to be used in selling or leasing lots to purchasers;

(10) copies of instruments creating easements or other restrictions;

(11) such certified and uncertified financial statements of the developer as the Secretary may require; and

(12) such other information and such other documents and certifications as the Secretary may require as being reasonably necessary or appropriate for the protection of purchasers.

#### TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

SEC. 1407. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchaser. If any amendment to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record. When a developer records additional lands to be offered for disposition, he may consolidate the subsequent statement of record with any earlier recording offering subdivided land for disposition under the same promotional plan. At the time of consolidation the developer shall include in the consolidated statement of record any material changes in the information contained in the earlier statement.

(b) If it appears to the Secretary that a statement of record, or any amendment thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a reasonable time after the filing of the statement or the amendment,



but prior to the date the statement or amendment would otherwise be effective. Such notification shall serve to suspend the effective date of the statement or the amendment until thirty days after the developer files such additional information as the Secretary shall require. Any developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within twenty days of receipt of such request by the Secretary.

(c) If, at any time subsequent to the effective date of a statement of record, a change shall occur affecting any material fact required to be contained in the statement, the developer shall promptly file an amendment thereto. Upon receipt of any such amendment, the Secretary may, if he determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, suspend the statement of record until the amendment becomes effective.

(d) If it appears to the Secretary at any time that a statement of record, which is in effect, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Secretary may, after notice, and after opportunity for hearing (at a time fixed by the Secretary) within fifteen days after such notice, issue an order suspending the statement of record. When such statement has been amended in accordance with such order, the Secretary shall so declare and thereupon the order shall cease to be effective.

(e) The Secretary is hereby empowered to make an examination in any case to determine whether an order should issue under subsection (d). In making such examination, the Secretary or anyone designated by him shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the developer, any agents, or any other person, in respect of any matter relevant to the examination. If the developer or any agents shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of an order suspending the statement of record.

(f) Any notice required under this section shall be sent to or served on the developer or his authorized agent.

#### INFORMATION REQUIRED IN PROPERTY REPORT

SEC. 1408. (a) A property report relating to the lots in a subdivision shall contain such of the information contained in the statement of record, and any amendments thereto, as the Secretary may deem necessary, but need not include the documents referred to in paragraphs (7) to (11), inclusive, of section 1406. A property report shall also contain such other information as the Secretary may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of purchasers.

(b) The property report shall not be used for any promotional purposes before the statement of record becomes effective and then only if it is used in its entirety. No person may advertise or represent that the Secretary approves or recommends the subdivision or the sale or lease of lots therein. No portion of the property report shall be underscored, italicized, or printed in larger or bolder type than the balance of the statement unless the Secretary requires or permits it.

## COOPERATION WITH STATE AUTHORITIES

SEC. 1409. (a) In administering this title, the Secretary shall cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept for filing under section 1405 and declare effective as a statement of record, if he finds such action to be appropriate in the public interest or for the protection of purchasers, material filed with and found acceptable by such authorities.

(b) Nothing in this title shall affect the jurisdiction of the real estate commission (or any agency or office performing like functions) of any State over any subdivision or any person.

## CIVIL LIABILITIES

SEC. 1410. (a) Where any part of the statement of record, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, any person acquiring a lot in the subdivision covered by such statement of record from the developer or his agent during such period the statement remained uncorrected (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue the developer.

(b) Any developer or agent, who sells or leases a lot in a subdivision—

(1) in violation of section 1404, or

(2) by means of a property report which contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, may be sued by the purchaser of such lot.

(c) The suit authorized under subsection (a) or (b) may be to recover such damages as shall represent the difference between the amount paid for the lot and the reasonable cost of any improvements thereto, and the lesser of (1) the value thereof as of the time such suit was brought, or (2) the price at which such lot shall have been disposed of in a bona fide market transaction before suit, or (3) the price at which such lot shall have been disposed of after suit in a bona fide market transaction but before judgment.

(d) Every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment.

(e) In no case shall the amount recoverable under this section exceed the sum of the purchase price of the lot, the reasonable cost of improvements, and reasonable court costs.

## COURT REVIEW OF ORDERS

SEC. 1411. (a) Any person, aggrieved by an order or determination of the Secretary issued after a hearing, may obtain a review of such order or determination in the court of appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days

after the entry of such order or determination, a written petition praying that the order or determination of the Secretary be modified or be set aside in whole or in part. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, and thereupon the Secretary shall file in the court the record upon which the order or determination complained of was entered, as provided in section 2112 of title 28, United States Code. No objection to an order or determination of the Secretary shall be considered by the court unless such objection shall have been urged before the Secretary. The finding of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Secretary, the court may order such additional evidence to be taken before the Secretary and to be adduced upon a hearing in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts by reason of the additional evidence so taken, and shall file such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. Upon the filing of such petition, the jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Secretary, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

#### LIMITATION OF ACTIONS

SEC. 1412. No action shall be maintained to enforce any liability created under section 1410(a) or (b) (2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 1410(b) (1),<sup>1</sup> unless brought within two years after the violation upon which it is based. In no event shall any such action be brought by a purchaser more than three years after the sale or lease to such purchaser.

#### CONTRARY STIPULATION VOID

SEC. 1413. Any condition, stipulation, or provision binding any person acquiring any lot in a subdivision to waive compliance with any provision of this title of the rules and regulations of the Secretary shall be void.

#### ADDITIONAL REMEDIES

SEC. 1414. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

<sup>1</sup> Due to error in Housing and Urban Development Act of 1968, Public Law 90-448, 82 Stat. 476, approved August 1, 1968, reference to section "1401(a)(1)" should be "1410(b)(1)".



## INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

SEC. 1415. (a) Whenever it shall appear to the Secretary that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed pursuant thereto, he may, in his discretion, bring an action in any district court of the United States, or the United States District Court for the District of Columbia to enjoin such acts or practices, and, upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Secretary may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the appropriate criminal proceedings under this title.

(b) The Secretary may, in his discretion, make such investigations as he deems necessary to determine whether any person has violated or is about to violate any provision of this title or any rule or regulation prescribed pursuant thereto, and may require or permit any person to file with him a statement in writing, under oath or otherwise as the Secretary shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Secretary is authorized, in his discretion, to publish information concerning any such violations, and to investigate any facts, conditions, practices, or matters which he may deem necessary or proper to aid in the enforcement of the provisions of this title, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this title relates.

(c) For the purpose of any such investigation, or any other proceeding under this title, the Secretary, or any officer designated by him, is empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which the Secretary deems relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States or any State at any designated place of hearing.

(d) In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memorandums, and other records and documents. And such court may issue an order requiring such person to appear before the Secretary or any officer designated by the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

(e) Repealed.<sup>1</sup>

## ADMINISTRATION

SEC. 1416. (a) The authority and responsibility for administering this title shall be in the Secretary of Housing and Urban Development who may delegate any of his functions, duties, and powers to employees of the Department of Housing and Urban Development or to boards of such employees, including functions, duties, and powers with respect to investigating, hearing, determining, ordering, or otherwise acting as to any work, business, or matter under this title. The persons to whom such delegations are made with respect to hearing functions, duties, and powers shall be appointed and shall serve in the Department in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. The Secretary shall by rule prescribe such rights of appeal from the decisions of his hearing examiners to other hearing examiners or to other officers in the Department, to boards of officers or to himself, as shall be appropriate and in accordance with law.

(b) All hearings shall be public and appropriate records thereof shall be kept, and any order issued after such hearing shall be based on the record made in such hearing which shall be conducted in accordance with provisions of the Administrative Procedure Act.

## UNLAWFUL REPRESENTATIONS

SEC. 1417. The fact that a statement of record with respect to a subdivision has been filed or is in effect shall not be deemed a finding by the Secretary that the statement of record is true and accurate on its face, or be held to mean the Secretary has in any way passed upon the merits of, or given approval to, such subdivision. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

## PENALTIES

SEC. 1418. Any person who willfully violates any of the provisions of this title or the rules and regulations prescribed pursuant thereto, or any person who willfully, in a statement of record filed under, or in a property report issued pursuant to, this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein, shall upon conviction be fined not more than \$5,000 or imprisoned not more than five years, or both.

## RULES, REGULATIONS, AND ORDERS

SEC. 1419. The Secretary shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as are necessary or appropriate to the exercise of the functions and powers conferred upon him elsewhere in this title. For the purpose of his rules and regulations, the Secretary may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

<sup>1</sup> Repealed by sec. 220, Organized Crime Control Act of 1970, Public Law 91-452, approved October 15, 1970, 84 Stat. 922, 929.

## JURISDICTION OF OFFENSES AND SUITS

SEC. 1420. (a) The district courts of the United States, the United States courts of any territory, and the United States District Court for the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations prescribed by the Secretary pursuant thereto, and concurrent with State courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this title. Any such suit or action may be brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the offer or sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 1254 and 1291 of title 28, United States Code. No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States, except where the United States or any officer or employee of the United States in his official capacity is a party. No costs shall be assessed for or against the Secretary in any proceeding under this title brought by or against him in the Supreme Court or such other courts.

## APPROPRIATIONS

SEC. 1421. There are authorized to be appropriated such sums as may be necessary to carry out this title.

## EFFECTIVE DATE

SEC. 1422. This title shall take effect upon the expiration of two hundred and seventy days after the date of its enactment.

Approved August 1, 1968.





# REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974

[Public Law 93-533, 88 Stat. 1724]

AN ACT To further the national housing goal of encouraging homeownership by regulating certain lending practices and closing and settlement procedures in federally related mortgage transactions to the end that unnecessary costs and difficulties of purchasing housing are minimized, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## SHORT TITLE

SECTION 1. This Act may be cited as the "Real Estate Settlement Procedures Act of 1974".

## FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that significant reforms in the real estate settlement process are needed to insure that consumers throughout the Nation are provided with greater and more timely information on the nature and costs of the settlement process and are protected from unnecessarily high settlement charges caused by certain abusive practices that have developed in some areas of the country. The Congress also finds that it has been over two years since the Secretary of Housing and Urban Development and the Administrator of Veterans' Affairs submitted their joint report to the Congress on "Mortgage Settlement Costs" and that the time has come for the recommendations for Federal legislative action made in that report to be implemented.

(b) It is the purpose of this Act to effect certain changes in the settlement process for residential real estate that will result—

(1) in more effective advance disclosure to home buyers and sellers of settlement costs;

(2) in the elimination of kickbacks or referral fees that tend to increase unnecessarily the costs of certain settlement services;

(3) in a reduction in the amounts home buyers are required to place in escrow accounts established to insure the payment of real estate taxes and insurance; and

(4) in significant reform and modernization of local record-keeping of land title information.

## DEFINITIONS

SEC. 3. For purposes of this Act—

(1) the term "federally related mortgage loan" includes any loan (other than temporary financing such as a construction loan)<sup>1</sup> which—

<sup>1</sup> Sec. 2(1) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 3(1) of the Real Estate Settlement Procedures Act of 1974, by inserting the words "(other than temporary financing such as a construction loan)" immediately following "includes any loan".

(A) is secured by a first lien on <sup>1</sup> residential real property (including individual units of condominiums and cooperatives) designed principally for the occupancy of from one to four families; and

(B) (i) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by any lender which is regulated by any agency of the Federal Government; or

(ii) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by the Secretary or a housing or related program administered by any other such officer or agency; or

(iii) is intended to be sold by the originating lender to <sup>1</sup> the Federal National Mortgage Association, the Government National Mortgage Association,<sup>1</sup> the Federal Home Loan Mortgage Corporation, or a <sup>1</sup> financial institution from which it is to <sup>1</sup> be purchased by the Federal Home Loan Mortgage Corporation; or

(iv) is made in whole or in part by any "creditor", as defined in section 103(f) of the Consumer Credit Protection Act (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than \$1,000,000 per year, except that for the purpose of this Act, the term "creditor" does not include any agency or instrumentality of any state <sup>1</sup>;

(2) the term "thing of value" includes any payment, advance, funds, loan, service, or other consideration;

(3) the term "settlement services" includes any service provided in connection with a real estate settlement including, but not limited to, the following: title searches, title examinations, the provision of title certificates, title insurance, services rendered by an attorney, the preparation of documents, property surveys, the rendering of credit reports or appraisals, pest and fungus inspections, services rendered by a real estate agent or broker, and the handling of the processing, and closing or settlement;

(4) the term "title company" means any institution which is qualified to issue title insurance, directly or through its agents, and also refers to any duly authorized agent of a title company;

(5) the term "person" includes individuals, corporations, associations, partnerships, and trusts; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

<sup>1</sup> Sec. 2(2) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended subparagraph 3(1)(A) of the Real Estate Settlement Procedures Act of 1974, by inserting the words "a first lien on" immediately following "is secured by"; sec. 2(3) of such Act amended subparagraph 3(B)(iii) by deleting the words "is eligible for purchase" and inserting in lieu thereof "is intended to be sold by the originating lender to"; sec. 2(4) of such Act amended subparagraph 3(B)(iii) by deleting the word "or" the first time it appears; sec. 2(5) of such Act amended subparagraph 3(B)(iii) by striking out "from any" and "could" and inserting in lieu thereof "a" and "is to" respectively; sec. 2(6) of such Act amended subparagraph (B)(iv) by inserting before the semicolon at the end thereof the words "except that for the purpose of this Act, the term 'creditor' does not include any agency or instrumentality of any State".



## UNIFORM SETTLEMENT STATEMENT

SEC. 4. (a) <sup>1</sup> The Secretary, in consultation with the Administrator of Veterans' Affairs, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board, shall develop and prescribe a standard form for the statement of settlement costs which shall be used (with such <sup>1</sup> variations as may be necessary to reflect <sup>1</sup> differences in legal and administrative requirements or practices in different areas of the country) as the standard real estate settlement form in all transactions in the United States which involve federally related mortgage loans. Such form shall conspicuously and clearly itemize all charges imposed upon the borrower and all charges imposed upon the seller in connection with the settlement and shall indicate whether any title insurance premium included in such charges covers or insures the lender's interest in the property, the borrower's interest, or both. The Secretary may, by regulation, permit the deletion from the form prescribed under this section of items which are not, under local laws or customs, applicable in any locality, except that such regulation shall require that the numerical code prescribed by the Secretary be retained in forms to be used in all localities. Nothing in this section may be construed to require that that part of the standard form which relates to the borrower's transaction be furnished to the seller, or to require that that part of the standard form which relates to the seller be furnished to the borrower.<sup>2</sup>

(b) <sup>3</sup> The form prescribed under this section shall be completed and made available for inspection by the borrower at or before settlement by the person conducting the settlement, except that (1) the Secretary may exempt from the requirements of this section settlements occurring in localities where the final settlement statement is not customarily provided at or before the date of settlement, or settlements where such requirements are impractical and (2) the borrower may, in accordance with regulations of the Secretary, waive his right to have the form made available at such time. Upon the request of the borrower to inspect the form prescribed under this section during the business day immediately preceding the day of settlement, the person who will conduct the settlement shall permit the borrower to inspect those items which are known to such person during such preceding day.

[See Excerpt from Real Estate Settlement Procedures Act Amendments of 1975]

## SPECIAL INFORMATION BOOKLETS

SEC. 5. (a) The Secretary shall prepare and distribute booklets to help persons borrowing money to finance the purchase of residential real estate better to understand the nature and costs of real estate settlement services. The Secretary shall distribute such booklets to all lenders which make federally related mortgage loans.

<sup>1</sup> Sec. 3(1) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended sec. 4 of the Real Estate Settlement Procedures Act of 1974, by inserting "(a)" immediately before "The Secretary"; sec. 3(2) of such Act also amended sec. 4 by deleting the words "minimum" and "unavoidable" in the first sentence.

<sup>2</sup> Sec. 3(3) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended sec. 4 of the Real Estate Settlement Procedures Act of 1974, by adding the last two sentences of this paragraph.

<sup>3</sup> Sec. 3(4) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended sec. 4 of the Real Estate Settlement Procedures Act of 1974, by adding a new subsection "(b)".

(b) Each booklet shall be in such form and detail as the Secretary shall prescribe and, in addition to such other information as the Secretary may provide, shall include in clear and concise language—

(1) a description and explanation of the nature and purpose of each cost incident to a real estate settlement;

(2) an explanation and sample of the standard real estate settlement form developed and prescribed under section 4;

(3) a description and explanation of the nature and purpose of escrow accounts when used in connection with loans secured by residential real estate;

(4) an explanation of the choices available to buyers or residential real estate in selecting persons to provide necessary services incident to a real estate settlement; and

(5) an explanation of the unfair practices and unreasonable or unnecessary charges to be avoided by the prospective buyer with respect to a real estate settlement.

(c)<sup>1</sup> Each lender shall include with the booklet a good faith estimate of the amount or range of charges for specific settlement services the borrower is likely to incur in connection with the settlement as prescribed by the Secretary. Such booklets shall take into consideration differences in real estate settlement procedures which may exist among the several States and territories of the United States and among separate political subdivisions within the same State and territory.

(d)<sup>2</sup> Each lender referred to in subsection (a) shall provide the booklet described in such subsection to each person from whom it receives or for whom it prepares a written application<sup>3</sup> to borrow money to finance the purchase of residential real estate. Such booklet shall be provided at the time of receipt or preparation<sup>4</sup> of such application.

(e)<sup>2</sup> Booklets may be printed and distributed by lenders if their form and content are approved by the Secretary as meeting the requirements of subsection (b) of this section.

[See Excerpt from Real Estate Settlement Procedures Act Amendments of 1975]

#### ADVANCE DISCLOSURE OF SETTLEMENT COSTS<sup>5</sup>

##### Repealer

SEC. 6. (a) Any lender agreeing to make a federally related mortgage loan shall provide or cause to be provided to the prospective borrower, to the prospective seller, and to any officer or agency of the Federal Government proposing to insure, guarantee, supplement, or

<sup>1</sup> Sec. 4(2) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 5 of the Real Estate Settlement Procedures Act of 1975 by adding a new subsection "(c)".

<sup>2</sup> Sec. 4(1) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 5 of the Real Estate Settlement Procedures Act of 1974 by redesignating subsections "(c)" and "(d)" as subsections "(d)" and "(e)" respectively.

<sup>3</sup> Sec. 4(3) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 5 of the Real Estate Settlement Procedures Act of 1975 by striking out "an application" in redesignated subsection "(d)" and inserting in lieu thereof the words "or for whom it prepares a written application".

<sup>4</sup> Sec. 4(4) of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 5 of the Real Estate Settlement Procedures Act of 1975 by inserting "or preparation" immediately following "receipt" in redesignated subsection "(d)".

<sup>5</sup> Sec. 5 of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, repealed sec. 6 of the Real Estate Settlement Procedures Act of 1974.



assist such loan, at the time of the loan commitment, but in no case later than twelve calendar days prior to settlement, upon the standard real estate settlement form developed and prescribed under section 4, or upon a form developed and prescribed by the Secretary specifically for the purposes of this section, and in accordance with regulations prescribed by the Secretary, an itemized disclosure in writing of each charge arising in connection with such settlement. For the purposes of complying with this section, it shall be the duty of the lender agreeing to make the loan to obtain or cause to be obtained from persons who provide or will provide services in connection with such settlement the amount of each charge they intend to make. In the event the exact amount of any such charge is not available, a good faith estimate of such charge may be provided.

(b) If any lender fails to provide a prospective borrower or seller with the disclosure as required by subsection (a), it shall be liable to such borrower or seller, as the case may be, in an amount equal to—

(1) the actual damages involved or \$500, whichever is greater, and

(2) in the case of any successful action to enforce the foregoing liability, the court costs of the action together with a reasonable attorney's fee as determined by the court;

except that a lender may not be held liable for a violation in any action brought under this subsection if it shows by a preponderance of the evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures adopted to avoid any such error.

(c) The provisions of subsection (a) shall be deemed to be satisfied with respect to a borrower or seller in connection with any settlement involving a federally related mortgage loan if the disclosure required by subsection (a) is provided at any time prior to settlement and the prospective borrower or seller, as the case may be, executes, under terms and conditions prescribed by regulations to be issued by the Secretary after consultation with the appropriate Federal agencies, a waiver of the requirement that the disclosure be provided at least twelve calendar days prior to such settlement. In issuing such regulations, the Secretary shall take into account the need to protect the borrower's and the seller's right to a timely disclosure.

(d) With respect to any particular transaction involving a federally related mortgage loan, no borrower shall maintain an action or separate actions against any lender under both the provisions of this section and the provisions of section 130 of the Consumer Credit Protection Act (15 U.S.C. 1640).

(e) The provisions of this Act shall supersede the provisions of section 121(c) of the Consumer Credit Protection Act insofar as the latter applies to federally related mortgage loans as defined in this Act.

#### DISCLOSURE OF PREVIOUS SELLING PRICE OF EXISTING REAL PROPERTY<sup>1</sup>

#### Repealed

SEC. 7. (a) No lender shall make any commitment for a federally related mortgage loan on a residence on which construction has been

<sup>1</sup>Sec. 6 of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1147, approved January 2, 1976, repealed sec. 7 of the Real Estate Settlement Procedures Act of 1974.



completed more than twelve months prior to the date of such commitment unless it has confirmed that the following information has been disclosed in writing by the seller or his agent to the buyer—

(1) the name and address of the present owner of the property being sold;

(2) the date the property was acquired by the present owner (the year only if the property was acquired more than two years previously); and

(3) if the seller has not owned the property for at least two years prior to the date of the loan application and has not used the property as a place of residence, the date and purchase price of the last arm's length transfer of the property, a list of any subsequent improvements made to the property (excluding maintenance repairs) and the cost of such improvements.

(b) The obligations imposed upon a lender by this section shall be deemed satisfied and a commitment for a federally related mortgage loan may thereafter be made if the lender receives a copy of the written statement provided by the seller to the buyer supplying the information required by subsection (a).

(c) Whoever knowingly and willfully provides false information under this section or otherwise willfully fails to comply with its requirements shall be fined not more than \$10,000 or imprisoned for not more than one year, or both.

#### PROHIBITION AGAINST KICKBACKS AND UNEARNED FEES

SEC. 8. (a) No person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.

(b) No person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.

(c) Nothing in this section shall be construed as prohibiting (1) the payment of a fee (A) to attorneys at law for services actually rendered or (B) by a title company to its duly appointed agent for services actually performed in the issuance of a policy of title insurance or (C) by a lender to its duly appointed agent for services actually performed in the making of a loan,<sup>1</sup> (2) the payment to any person of a bona fide salary or compensation or other payment for goods or facilities actually furnished or for services actually performed, or (3)<sup>2</sup> payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers, or

<sup>1</sup> Sec. 7 of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 8 of the Real Estate Settlement Procedures Act of 1974 by deleting "or" immediately before "(2)".

<sup>2</sup> Sec. 7 of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 8(c) of the Real Estate Settlement Procedures Act of 1974 by adding a new "(3)" as set forth in the text.

(4) such other payments or classes of payments or other transfers as are specified in regulations prescribed by the Secretary, after consultation with the Attorney General, the Administrator of Veterans' Affairs, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Secretary of Agriculture.

(d) (1) Any person or persons who violate the provisions of this section shall be fined not more than \$10,000 or imprisoned for not more than one year, or both.

(2) In addition to the penalties provided by paragraph (1) of this subsection, any person or persons who violate the provisions of subsection (a) shall be jointly and severally liable to the person or persons whose business has been referred in an amount equal to three times the value or amount of the fee or thing of value, and any person or persons who violate the provisions of subsection (b) shall be jointly and severally liable to the person or persons charged for the settlement services involved in an amount equal to three times the amount of the portion, split, or percentage. In any successful action to enforce the liability under this paragraph, the court may award the court costs of the action together with a reasonable attorney's fee as determined by the court.

#### TITLE COMPANIES

SEC. 9. (a) No seller of property that will be purchased with the assistance of a federally related mortgage loan shall require directly or indirectly, as a condition to selling the property, that title insurance covering the property be purchased by the buyer from any particular title company.

(b) Any seller who violates the provisions of subsection (a) shall be liable to the buyer in an amount equal to three times all charges made for such title insurance.

#### ESCROW ACCOUNTS

SEC. 10.<sup>1</sup> A lender, in connection with a federally related mortgage loan, may not require the borrower or prospective borrower—

(1) to deposit in any escrow account which may be established in connection with such loan for the purpose of assuring payment of taxes, insurance premiums, or other charges with respect to the property, in connection with the settlement, an aggregate sum (for such purpose) in excess of a sum that will be sufficient to pay such taxes, insurance premiums and other charges attributable to the period beginning on the last date on which each such charge would have been paid under the normal lending practice of the lender and local custom, provided that the selection of each such date constitutes prudent lending practice, and ending on the due date of its first full installment payment under the mortgage, plus one-sixth of the estimated total amount of such taxes, insurance premiums and other charges to be paid on dates, as provided above, during the ensuing twelve-month period; or

<sup>1</sup> Sec. 8 of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 10 of the Real Estate Settlement Procedures Act of 1974 to read as set forth in the text.

(2) to deposit in any such escrow account in any month beginning with the first full installment payment under the mortgage a sum (for the purpose of assuring payment of taxes, insurance premiums and other charges with respect to the property) in excess of the sum of (A) one-twelfth of the total amount of the estimated taxes, insurance premiums and other charges which are reasonably anticipated to be paid on dates during the ensuing twelve months which dates are in accordance with the normal lending practice of the lender and local custom, provided that the selection of each such date constitutes prudent lending practice, plus (B) such amount as is necessary to maintain an additional balance in such escrow account not to exceed one-sixth of the estimated total amount of such taxes, insurance premiums and other charges to be paid on dates, as provided above, during the ensuing twelve-month period: *Provided, however,* That in the event the lender determines there will be or is a deficiency he shall not be prohibited from requiring additional monthly deposits in such escrow account to avoid or eliminate such deficiency.

LIMITATIONS AND DISCLOSURES WITH RESPECT TO CERTAIN FEDERALLY  
RELATED MORTGAGE LOANS

SEC. 11. (a) The Federal Deposit Insurance Act is amended by adding at the end thereof the following new section:

"SEC. 25. (a) No insured bank, or mutual savings or cooperative bank which is not an insured bank, shall make any federally related mortgage loan to any agent, trustee, nominee, or other person acting in a fiduciary capacity without the prior condition that the identity of the person receiving the beneficial interest of such loan shall at all times be revealed to the bank. At the request of the Corporation, the bank shall report to the Corporation on the identity of such person and the nature and amount of the loan, discount, or other extension of credit.

"(b) In addition to other available remedies, this section may be enforced with respect to mutual savings and cooperative banks which are not insured banks in accordance with section 8 of this Act, and for such purpose such mutual savings and cooperative banks shall be held and considered to be State nonmember insured banks and the appropriate Federal agency with respect to such mutual savings and cooperative banks shall be the Federal Deposit Insurance Corporation."

(b) Title IV of the National Housing Act is amended by adding at the end thereof the following new section:

"SEC. 413. No insured institution shall make any federally related mortgage loan to any agent, trustee, nominee, or other person acting in a fiduciary capacity without the prior condition that the identity of the person receiving the beneficial interest of such loan shall at all times be revealed to the institution. At the request of the Federal Home Loan Bank Board, the insured institution shall report to the Board on the identity of such person and the nature and amount of the loan."

(c) The Federal Deposit Insurance Corporation or the Federal Home Loan Bank Board as appropriate may by regulation exempt classes or types of transactions from the provisions added by this sec-



tion if the Corporation or the Board determines that the purposes of such provisions would not be advanced materially by their application to such transactions.

FEE FOR PREPARATION OF TRUTH-IN-LENDING AND UNIFORM  
SETTLEMENT STATEMENTS

SEC. 12. No fee shall be imposed or charge made upon any other person (as a part of settlement costs or otherwise) by a lender in connection with a federally related mortgage loan made by it (or a loan for the purchase of a mobile home), for or on account of the preparation and submission by such lender of the statement or statements required (in connection with such loan) by sections 4 and 6 of this Act or by the Truth in Lending Act.

ESTABLISHMENT ON DEMONSTRATION BASIS OF LAND PARCEL RECORDATION  
SYSTEM

SEC. 13. The Secretary shall establish and place in operation on a demonstration basis, in representative political subdivisions (selected by him) in various areas of the United States, a model system or systems for the recordation of land title information in a manner and form calculated to facilitate and simplify land transfers and mortgage transactions and reduce the cost thereof, with a view to the possible development (utilizing the information and experience gained under this section) of a nationally uniform system of land parcel recordation.

REPORT OF THE SECRETARY ON NECESSITY FOR FURTHER CONGRESSIONAL  
ACTION

SEC. 14. (a) The Secretary, after consultation with the Administrator of Veterans' Affairs, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board, and after such study, investigation, and hearings (at which representatives of consumers' groups shall be allowed to testify) as he deems appropriate, shall, not less than three years nor more than five years from the effective date of this Act, report to the Congress on whether, in view of the implementation of the provisions of this Act imposing certain requirements and prohibiting certain practices in connection with real estate settlements, there is any necessity for further legislation in this area.

(b) If the Secretary concludes that there is necessity for further legislation, he shall report to the Congress on the specific practices or problems that should be the subject of such legislation and the corrective measures that need to be taken. In addition, the Secretary shall include in his report—

(1) recommendations on the desirability of requiring lenders of federally related mortgage loans to bear the costs of particular real estate settlement services that would otherwise be paid for by borrowers;

(2) recommendations on whether Federal regulation of the charges for real estate settlement services in federally related mortgage transactions is necessary and desirable, and, if he concludes that such regulation is necessary and desirable, a descrip-

tion and analysis of the regulatory scheme he believes Congress should adopt; and

(3) recommendations on the ways in which the Federal Government can assist and encourage local governments to modernize their methods for the recordation of land title information, including the feasibility of providing financial assistance or incentives to local governments that seek to adopt one of the model systems developed by the Secretary in accordance with the provisions of section 13 of this Act.

#### DEMONSTRATION TO DETERMINE FEASIBILITY OF INCLUDING STATEMENTS OF SETTLEMENT COSTS IN SPECIAL INFORMATION BOOKLETS

SEC. 15. The Secretary shall, on a demonstration basis in selected housing market areas, have prepared and included in the special information booklets required to be furnished under section 5 of this Act, statements of the range of costs for specific settlement services in such areas. Not later than June 30, 1976, the Secretary shall transmit to the Congress a full report on the demonstration conducted under this section. Such report shall contain the Secretary's assessment of the feasibility of preparing and including settlement cost range statements for all housing market areas in the special information booklets for such areas.

#### JURISDICTION OF COURTS

SEC. 16. Any action to recover damages pursuant to the provisions of section 6, 8, or 9 may be brought in the United States district court for the district in which the property involved is located, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

#### VALIDITY OF CONTRACTS AND LIENS

SEC. 17. Nothing in this Act shall affect the validity or enforceability of any sale or contract for the sale of real property or any loan, loan agreement, mortgage, or lien made or arising in connection with a federally related mortgage loan.

#### RELATION TO STATE LAWS

SEC. 18.<sup>1</sup> This Act does not annul, alter, or affect, or exempt any person subject to the provisions of this Act from complying with, the laws of any State with respect to settlement practices, except to the extent that those laws are inconsistent with any provision of this Act, and then only to the extent of the inconsistency. The Secretary is authorized to determine whether such inconsistencies exist. The Secretary may not determine that any State law is inconsistent with any provision of this Act if the Secretary determines that such law gives greater protection to the consumer. In making these determinations the Secretary shall consult with the appropriate Federal agencies.

<sup>1</sup> Sec. 9 of the Real Estate Settlement Procedures Act Amendments of 1975, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended section 18 of the Real Estate Settlement Procedures Act of 1974, by deleting the "(a)" following Sec. 18, and by deleting subparagraph "(b)".

## AUTHORITY OF THE SECRETARY

SEC. 19.<sup>1</sup> (a) The Secretary is authorized to prescribe such rules and regulations, to make such interpretations, and to grant such reasonable exemptions for classes of transactions, as may be necessary to achieve the purposes of this Act.

(b) No provision of this Act or the laws of any State imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Secretary or the Attorney General, notwithstanding that after such act or omission has occurred, such rule, regulation, or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

## EFFECTIVE DATE

SEC. 20. The provisions of this Act, and the amendments made thereby, shall become effective one hundred and eighty days after the date of the enactment of this Act.

Approved December 22, 1974.

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EXCERPT FROM REAL ESTATE SETTLEMENT PROCEDURES  
ACT AMENDMENTS OF 1975

[Public Law 94-205, 89 Stat. 1157]

\* \* \* \* \*

SEC. 12. The provisions of this Act and the amendments made hereby shall become effective upon enactment. The Secretary may suspend for up to one hundred and eighty days from the date of enactment of this Act any provision of section 4 and section 5 of the Real Estate Settlement Procedures Act of 1974, as amended by this Act.

Approved January 2, 1976.

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EXCERPTS FROM EMERGENCY HOME FINANCE ACT OF 1970

[Public Law 91-351, 84 Stat. 450, 464; 12 U.S.C. 1430 note]

## TITLE VII—MISCELLANEOUS

SETTLEMENT COSTS IN THE FINANCING OF FEDERAL HOUSING ADMINISTRATION AND VETERANS' ADMINISTRATION ASSISTED HOUSING

SEC. 701. (a) With respect to housing built, rehabilitated, or sold with assistance provided under the National Housing Act or under chapter 37 of title 38, United States Code, the Secretary of Housing and Urban Development and the Administrator of Veterans' Affairs are respectively authorized and directed to prescribe standards governing the amounts of settlement costs allowable in connection with the financing of such housing in any such area. Such standards shall—

<sup>1</sup> Sec. 10 of the Real Estate Settlement Procedures Act Amendments of 1974, Public Law 94-205, 89 Stat. 1157, approved January 2, 1976, amended the Real Estate Settlement Procedures Act of 1974 by redesignating "section 19" as "section 20" and inserting a new "Section 19".



(1) be established after consultation between the Secretary and the Administrator;

(2) be consistent in any area for housing assisted under the National Housing Act and housing assisted under chapter 37 of title 38, United States Code; and

(3) be based on the Secretary's and the Administrator's estimates of the reasonable charge for necessary services involved in settlements for particular classes of mortgages and loans.

(b) The Secretary and the Administrator shall undertake a joint study and make recommendations to the Congress not later than one year after the date of enactment of this Act with respect to legislative and administrative actions which should be taken to reduce mortgage settlement costs and to standardize these costs for all geographic areas.

## MOBILE HOMES STANDARDS

### EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

[Public Law 93-383, 88 Stat. 633]

#### TITLE VI—MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

##### SHORT TITLE

SEC. 601. This title may be cited as the "National Mobile Home Construction and Safety Standards Act of 1974".

##### STATEMENT OF PURPOSE

SEC. 602. The Congress declares that the purposes of this title are to reduce the number of personal injuries and deaths and the amount of insurance costs and property damage resulting from mobile home accidents and to improve the quality and durability of mobile homes. Therefore, the Congress determines that it is necessary to establish Federal construction and safety standards for mobile homes and to authorize mobile home safety research and development.

##### DEFINITIONS

SEC. 603. As used in this title, the term—

(1) "mobile home construction" means all activities relating to the assembly and manufacture of a mobile home including but not limited to those relating to durability, quality, and safety;

(2) "dealer" means any person engaged in the sale, leasing, or distribution of new mobile homes primarily to persons who in good faith purchase or lease a mobile home for purposes other than resale;

(3) "defect" includes any defect in the performance, construction, components, or material of a mobile home that renders the home or any part thereof not fit for the ordinary use for which it was intended;

(4) "distributor" means any person engaged in the sale and distribution of mobile homes for resale;

(5) "manufacturer" means any person engaged in manufacturing or assembling mobile homes, including any person engaged in importing mobile homes for resale;

(6) "mobile home" means a structure, transportable in one or more sections, which is eight body feet or more in width and is thirty-two body feet or more in length, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required

utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein;

(7) "Federal mobile home construction and safety standard" means a reasonable standard for the construction, design, and performance of a mobile home which meets the needs of the public including the need for quality, durability, and safety;

(8) "mobile home safety" means the performance of a mobile home in such a manner that the public is protected against any unreasonable risk of the occurrence of accidents due to the design or construction of such mobile home, or any unreasonable risk of death or injury to the user or to the public if such accidents do occur;

(9) "imminent safety hazard" means an imminent and unreasonable risk of death or severe personal injury;

(10) "purchaser" means the first person purchasing a mobile home in good faith for purposes other than resale;

(11) "Secretary" means the Secretary of Housing and Urban Development;

(12) "State" includes each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Canal Zone, and American Samoa; and

(13) "United States district courts" means the Federal district courts of the United States and the United States courts of the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Canal Zone, and American Samoa.

FEDERAL MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

SEC. 604. (a) The Secretary, after consultation with the Consumer Product Safety Commission, shall establish by order appropriate Federal mobile home construction and safety standards. Each such Federal mobile home standard shall be reasonable and shall meet the highest standards of protection, taking into account existing State and local laws relating to mobile home safety and construction.

(b) All orders issued under this section shall be issued after notice and an opportunity for interested persons to participate are provided in accordance with the provisions of section 553 of title 5, United States Code.

(c) Each order establishing a Federal mobile home construction and safety standard shall specify the date such standard is to take effect, which shall not be sooner than one hundred and eighty days or later than one year after the date such order is issued, unless the Secretary finds, for good cause shown, that an earlier or later effective date is in the public interest, and publishes his reasons for such finding.

(d) Whenever a Federal mobile home construction and safety standard established under this title is in effect, no State or political subdivision of a State shall have any authority either to establish, or to continue in effect, with respect to any mobile home covered, any standard regarding construction or safety applicable to the same aspect of performance of such mobile home which is not identical to the Federal mobile home construction and safety standard.

(e) The Secretary may by order amend or revoke any Federal mobile home construction or safety standard established under this section. Such order shall specify the date on which such amendment or revocation is to take effect, which shall not be sooner than



one hundred and eighty days or later than one year from the date the order is issued, unless the Secretary finds, for good cause shown, that an earlier or later date is in the public interest, and publishes his reasons for such finding.

(f) In establishing standards under this section, the Secretary shall—

(1) consider relevant available mobile home construction and safety data, including the results of the research, development, testing, and evaluation activities conducted pursuant to this title, and those activities conducted by private organizations and other governmental agencies to determine how to best protect the public;

(2) consult with such State or interstate agencies (including legislative committees) as he deems appropriate;

(3) consider whether any such proposed standard is reasonable for the particular type of mobile home or for the geographic region for which it is prescribed;

(4) consider the probable effect of such standard on the cost of the mobile home to the public; and

(5) consider the extent to which any such standard will contribute to carrying out the purposes of this title.

(g) The Secretary shall issue an order establishing initial Federal mobile home construction and safety standards not later than one year after the date of enactment of this Act.

(h) The Secretary shall exclude from the coverage of this title any structure which the manufacturer certifies, in a form prescribed by the Secretary, to be:

(1) designed only for erection or installation on a site-built permanent foundation;

(2) not designed to be moved once so erected or installed;

(3) designed and manufactured to comply with a nationally recognized model building code or an equivalent local code, or with a State or local modular building code recognized as generally equivalent to building codes for site-built housing, or with minimum property standards adopted by the Secretary pursuant to title II of the National Housing Act; and

(4) to the manufacturer's knowledge is not intended to be used other than on a site-built permanent foundation.<sup>1</sup>

#### NATIONAL MOBILE HOME ADVISORY COUNCIL

SEC. 605. (a) The Secretary shall appoint a National Mobile Home Advisory Council with the following composition: eight members selected from among consumer organizations, community organizations, and recognized consumer leaders; eight members from the mobile home industry and related groups including at least one representative of small business; and eight members selected from government agencies including Federal, State, and local governments. Appointments under this subsection shall be made without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service, classification, and General Schedule pay rates. The Secretary shall publish the names of the members of the Council

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 604 by adding a new subsection (h).

annually and shall designate which members represent the general public.

(b) The Secretary shall, to the extent feasible, consult with the Advisory Council prior to establishing, amending, or revoking any mobile home construction or safety standard pursuant to the provisions of this title.

(c) Any member of the National Mobile Home Advisory Council who is appointed from outside the Federal Government may be compensated at a rate not to exceed \$100 per diem (including traveltime) when engaged in the actual duties of the Advisory Council. Such members, while away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence as authorized by section 5703(b) of title 5, United States Code, for persons in the Government service employed intermittently.

#### JUDICIAL REVIEW OF ORDERS

SEC. 606. (a) (1) In a case of actual controversy as to the validity of any order under section 604, any person who may be adversely affected by such order when it is effective may at any time prior to the sixtieth day after such order is issued file a petition with the United States court of appeals for the circuit wherein such person resides or has his principal place of business, for judicial review of such order. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary or other officer designated by him for that purpose. The Secretary thereupon shall file in the court the record of the proceedings on which the Secretary based his order, as provided in section 2112 of title 28, United States Code.

(2) If the petitioner applies to the court for leave to adduce additional evidence, and shows to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Secretary, the court may order such additional evidence (and evidence in rebuttal thereof) to be taken before the Secretary, and to be adduced upon the hearing, in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts, or make new findings, by reason of the additional evidence so taken, and he shall file such modified or new findings, and his recommendation, if any, for the modification or setting aside of his original order, with the return of such additional evidence.

(3) Upon the filing of the petition referred to in paragraph (1) of this subsection, the court shall have jurisdiction to review the order in accordance with the provisions of sections 701 through 706 of title 5, United States Code, and to grant appropriate relief.

(4) The judgment of the court affirming or setting aside, in whole or in part, any such order of the Secretary shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(5) Any action instituted under this subsection shall survive, notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.

(6) The remedies provided for in this subsection shall be in addition to and not in substitution for any other remedies provided by law.

(b) A certified copy of the transcript of the record and proceedings under this section shall be furnished by the Secretary to any interested party at his request and payment of the costs thereof, and shall be admissible in any criminal, exclusion of imports, or other proceeding arising under or in respect of this title, irrespective of whether proceedings with respect to the order have previously been initiated or become final under subsection (a).

#### PUBLIC INFORMATION

SEC. 607. (a) Whenever any manufacturer is opposed to any action of the Secretary under section 604 or under any other provision of this title on the grounds of increased cost or for other reasons, the manufacturer shall submit such cost and other information (in such detail as the Secretary may by rule or order prescribe) as may be necessary in order to properly evaluate the manufacturer's statement.

(b) Such information shall be available to the public unless the manufacturer establishes that it contains a trade secret or that disclosure of any portion of such information would put the manufacturer at a substantial competitive disadvantage. Notice of the availability of such information shall be published promptly in the Federal Register. If the Secretary determines that any portion of such information contains a trade secret or that the disclosure of any portion of such information would put the manufacturer at a substantial competitive disadvantage, such portion may be disclosed to the public only in such manner as to preserve the confidentiality of such trade secret or in such combined or summary form so as not to disclose the identity of any individual manufacturer, except that any such information may be disclosed to other officers or employees concerned with carrying out this title or when relevant in any proceeding under this title. Nothing in this subsection shall authorize the withholding of information by the Secretary or any officer or employee under his control from the duly authorized committees of the Congress.

(c) If the Secretary proposes to establish, amend, or revoke a Federal mobile home construction and safety standard under section 604 on the basis of information submitted pursuant to subsection (a), he shall publish a notice of such proposed action, together with the reasons therefor, in the Federal Register at least thirty days in advance of making a final determination, in order to allow interested parties an opportunity to comment.

(d) For purposes of this section, "cost information" means information with respect to alleged cost increases resulting from action by the Secretary, in such a form as to permit the public and the Secretary to make an informed judgment on the validity of the manufacturer's statements. Such term includes both the manufacturer's cost and the cost to retail purchasers.

(e) Nothing in this section shall be construed to restrict the authority of the Secretary to obtain or require submission of information under any other provision of this title.

#### RESEARCH, TESTING, DEVELOPMENT, AND TRAINING

SEC. 608. (a) The Secretary shall conduct research, testing, development, and training necessary to carry out the purposes of this title, including, but not limited to—



(1) collecting data from any source for the purpose of determining the relationship between mobile home performance characteristics and (A) accidents involving mobile homes, and (B) the occurrence of death, personal injury, or damage resulting from such accidents;

(2) procuring (by negotiation or otherwise) experimental and other mobile homes for research and testing purposes; and

(3) selling or otherwise disposing of test mobile homes and reimbursing the proceeds of such sale or disposal into the current appropriation available for the purpose of carrying out this title.

(b) The Secretary is authorized to conduct research, testing, development, and training as authorized to be carried out by subsection (a) of this section by contracting for or making grants for the conduct of such research, testing, development, and training to States, interstate agencies, and independent institutions.

#### COOPERATION WITH PUBLIC AND PRIVATE AGENCIES

SEC. 609. The Secretary is authorized to advise, assist, and cooperate with other Federal agencies and with State and other interested public and private agencies, in the planning and development of—

(1) mobile home construction and safety standards; and

(2) methods for inspecting and testing to determine compliance with mobile home standards.

#### PROHIBITED ACTS

SEC. 610. (a) No person shall—

(1) make use of any means of transportation or communication affecting interstate or foreign commerce or the mails to manufacture for sale, lease, sell, offer for sale or lease, or introduce or deliver, or import into the United States, any mobile home which is manufactured on or after the effective date of any applicable Federal mobile home construction and safety standard under this title and which does not comply with such standard, except as provided in subsection (b), where such manufacture, lease, sale, offer for sale or lease, introduction, delivery, or importation affects commerce;

(2) fail or refuse to permit access to or copying of records, or fail to make reports or provide information, or fail or refuse to permit entry or inspection, as required under section 614;

(3) fail to furnish notification of any defect as required by section 615;

(4) fail to issue a certification required by section 616, or issue a certification to the effect that a mobile home conforms to all applicable Federal mobile home construction and safety standards, if such person in the exercise of due care has reason to know that such certification is false or misleading in a material respect;

(5) fail to comply with a final order issued by the Secretary under this title; or

(6) issue a certification pursuant to subsection (h) of section 604, if such person in the exercise of due care has reason to know that such certification is false or misleading in a material respect.<sup>1</sup>

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128 approved October 12, 1977, amended section 610(a) by deleting "or" at the end of paragraph (4) and inserting "; or" at the end of paragraph (5) and adding a new paragraph (6).

(b) (1) Paragraph (1) of subsection (a) shall not apply to the sale, the offer for sale, or the introduction or delivery for introduction in interstate commerce of any mobile home after the first purchase of it in good faith for purposes other than resale.

(2) For purposes of section 611, paragraph (1) of subsection (a) shall not apply to any person who establishes that he did not have reason to know in the exercise of due care that such mobile home is not in conformity with applicable Federal mobile home construction and safety standards, or to any person who, prior to such first purchase, holds a certificate issued by the manufacturer or importer of such mobile home to the effect that such mobile home conforms to all applicable Federal mobile home construction and safety standards, unless such person knows that such mobile home does not so conform.

(3) A mobile home offered for importation in violation of paragraph (1) of subsection (a) shall be refused admission into the United States under joint regulations issued by the Secretary of the Treasury and the Secretary, except that the Secretary of the Treasury and the Secretary may, by such regulations, provide for authorizing the importation of such mobile home into the United States upon such terms and conditions (including the furnishing of a bond) as may appear to them appropriate to insure that any such mobile home will be brought into conformity with any applicable Federal mobile home construction or safety standard prescribed under this title, or will be exported from, or forfeited to, the United States.

(4) The Secretary of the Treasury and the Secretary may, by joint regulations, permit the importation of any mobile home after the first purchase of it in good faith for purposes other than resale.

(5) Paragraph (1) of subsection (a) shall not apply in the case of a mobile home intended solely for export, and so labeled or tagged on the mobile home itself and on the outside of the container, if any, in which it is to be exported.

(c) Compliance with any Federal mobile home construction or safety standard issued under this title does not exempt any person from any liability under common law.

#### CIVIL AND CRIMINAL PENALTY

SEC. 611. (a) Whoever violates any provision of section 610, or any regulation or final order issued thereunder, shall be liable to the United States for a civil penalty of not to exceed \$1,000 for each such violation. Each violation of a provision of section 610, or any regulation or order issued thereunder shall constitute, a separate violation with respect to each mobile home or with respect to each failure or refusal to allow or perform an act required thereby, except that the maximum civil penalty may not exceed \$1,000,000 for any related series of violations occurring within one year from the date of the first violation.

(b) An individual or a director, officer, or agent of a corporation who knowingly and willfully violates section 610 in a manner which threatens the health or safety of any purchaser shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

#### JURISDICTION AND VENUE

SEC. 612. (a) The United States district courts shall have jurisdiction, for cause shown and subject to the provisions of rule 65 (a) and



(b) of the Federal Rules of Civil Procedure, to restrain violations of this title, or to restrain sale, offer for sale, or the importation into the United States, of any mobile home which is determined, prior to the first purchase of such mobile home in good faith for purposes other than resale, not to conform to applicable Federal mobile home construction and safety standards prescribed pursuant to this title or to contain a defect which constitutes an imminent safety hazard, upon petition by the appropriate United States attorney or the Attorney General on behalf of the United States. Whenever practicable, the Secretary shall give notice to any person against whom an action for injunctive relief is contemplated and afford him an opportunity to present his views and the failure to give such notice and afford such opportunity shall not preclude the granting of appropriate relief.

(b) In any proceeding for criminal contempt for violation of an injunction or restraining order issued under this section, which violation also constitutes a violation of this title, trial shall be by the court or, upon demand of the accused, by a jury. Such trial shall be conducted in accordance with the practice and procedure applicable in the case of proceedings subject to the provisions of rule 42(b) of the Federal Rules of Criminal Procedure.

(c) Actions under subsection (a) of this section and section 611 may be brought in the district wherein any act or transaction constituting the violation occurred, or in the district wherein the defendant is found or is an inhabitant or transacts business, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found.

(d) In any action brought by the United States under subsection (a) of this section or section 611, subpoenas by the United States for witnesses who are required to attend at United States district court may run into any other district.

(e) It shall be the duty of every manufacturer offering a mobile home for importation into the United States to designate in writing an agent upon whom service of all administrative and judicial processes, notices, orders, decisions, and requirements may be made for and on behalf of such manufacturer, and to file such designation with the Secretary, which designation may from time to time be changed by like writing, similarly filed. Service of all administrative and judicial processes, notices, orders, decisions, and requirements may be made upon such manufacturer by service upon such designated agent at his office or usual place of residence with like effect as if made personally upon such manufacturer, and in default of such designation of such agent, service of process or any notice, order, requirement, or decision in any proceeding before the Secretary or in any judicial proceeding pursuant to this title may be made by mailing such process, notice, order, requirement, or decision to the Secretary by registered or certified mail.

#### NONCOMPLIANCE WITH STANDARDS

SEC. 613. (a) If the Secretary or a court of appropriate jurisdiction determines that any mobile home does not conform to applicable Federal mobile home construction and safety standards, or that it contains a defect which constitutes an imminent safety hazard, after the sale of such mobile home by a manufacturer to a distributor or a dealer



and prior to the sale of such mobile home by such distributor or dealer to a purchaser—

(1) the manufacturer shall immediately repurchase such mobile home from such distributor or dealer at the price paid by such distributor or dealer, plus all transportation charges involved and a reasonable reimbursement of not less than 1 per centum per month of such price paid prorated from the date of receipt by certified mail of notice of such nonconformance to the date of repurchase by the manufacturer; or

(2) the manufacturer, at his own expense, shall immediately furnish the purchasing distributor or dealer the required conforming part or parts or equipment for installation by the distributor or dealer on or in such mobile home, and for the installation involved the manufacturer shall reimburse such distributor or dealer for the reasonable value of such installation plus a reasonable reimbursement of not less than 1 per centum per month of the manufacturer's or distributor's selling price prorated from the date of receipt by certified mail of notice of such nonconformance to the date such vehicle is brought into conformance with applicable Federal standards, so long as the distributor or dealer proceeds with reasonable diligence with the installation after the required part or equipment is received.

The value of such reasonable reimbursements as specified in paragraphs (1) and (2) of this subsection shall be fixed by mutual agreement of the parties, or, failing such agreement, by the court pursuant to the provisions of subsection (b).

(b) If any manufacturer fails to comply with the requirements of subsection (a), then the distributor or dealer, as the case may be, to whom such mobile home has been sold may bring an action seeking a court injunction compelling compliance with such requirements on the part of such manufacturer. Such action may be brought in any district court in the United States in the district in which such manufacturer resides, or is found, or has an agent, without regard to the amount in controversy, and the person bringing the action shall also be entitled to recover any damage sustained by him, as well as all court costs plus reasonable attorneys' fees. Any action brought pursuant to this section shall be forever barred unless commenced within three years after the cause of action shall have accrued.

#### INSPECTION OF MOBILE HOMES AND RECORDS

SEC. 614. (a) The Secretary is authorized to conduct such inspections and investigations as may be necessary to promulgate or enforce Federal mobile home construction and safety standards established under this title or otherwise to carry out his duties under this title. He shall furnish the Attorney General and, when appropriate, the Secretary of the Treasury any information obtained indicating non-compliance with such standards for appropriate action.

(b) (1) For purposes of enforcement of this title, persons duly designated by the Secretary, upon presenting appropriate credentials to the owner, operator, or agent in charge, are authorized—

(A) to enter, at reasonable times and without advance notice, any factory, warehouse, or establishment in which mobile homes are manufactured, stored, or held for sale; and

(B) to inspect, at reasonable times and within reasonable limits and in a reasonable manner, any such factory, warehouse, or establishment, and to inspect such books, papers, records, and documents as are set forth in subsection (c). Each such inspection shall be commenced and completed with reasonable promptness.

(2) The Secretary is authorized to contract with State and local governments and private inspection organizations to carry out his functions under this subsection.

(c) For the purpose of carrying out the provisions of this title, the Secretary is authorized—

(1) to hold such hearings, take such testimony, sit and act at such times and places, administer such oaths, and require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, papers, correspondence, memorandums, contracts, agreements, or other records, as the Secretary or such officer or employee deems advisable. Witnesses summoned pursuant to this subsection shall be paid the same fees and mileage that are paid witnesses in the courts of the United States;

(2) to examine and copy any documentary evidence of any person having materials or information relevant to any function of the Secretary under this title;

(3) to require, by general or special orders, any person to file, in such form as the Secretary may prescribe, reports or answers in writing to specific questions relating to any function of the Secretary under this title. Such reports and answers shall be made under oath or otherwise, and shall be filed with the Secretary within such reasonable period as the Secretary may prescribe;

(4) to request from any Federal agency any information he deems necessary to carry out his functions under this title, and each such agency is authorized and directed to cooperate with the Secretary and to furnish such information upon request made by the Secretary, and the head of any Federal agency is authorized to detail, on a reimbursable basis, any personnel of such agency to assist in carrying out the duties of the Secretary under this title; and

(5) to make available to the public any information which may indicate the existence of a defect which relates to mobile home construction or safety or of the failure of a mobile home to comply with applicable mobile home construction and safety standards. The Secretary shall disclose so much of other information obtained under this subsection to the public as he determines will assist in carrying out this title; but he shall not (under the authority of this sentence) make available or disclose to the public any information which contains or relates to a trade secret or any information the disclosure of which would put the person furnishing such information at a substantial competitive disadvantage, unless he determines that it is necessary to carry out the purpose of this title.

(d) Any of the district courts of the United States within the jurisdiction of which an inquiry is carried on may, in the case of contumacy or refusal to obey a subpoena or order of the Secretary issued under paragraph (1) or paragraph (3) of subsection (c) of this section, issue an order requiring compliance therewith; and any failure to obey such



order of the court may be punished by such court as a contempt thereof.

(e) Each manufacturer of mobile homes shall submit the building plans for every model of such mobile homes to the Secretary or his designee for the purpose of inspection under this section. The manufacturer must certify that each such building plan meets the Federal construction and safety standards in force at that time before the model involved is produced.

(f) Each manufacturer, distributor, and dealer of mobile homes shall establish and maintain such records, make such reports, and provide such information as the Secretary may reasonably require to enable him to determine whether such manufacturer, distributor, or dealer has acted or is acting in compliance with this title and Federal mobile home construction and safety standards prescribed pursuant to this title and shall, upon request of a person duly designated by the Secretary, permit such person to inspect appropriate books, papers, records, and documents relevant to determining whether such manufacturer, distributor, or dealer has acted or is acting in compliance with this title and mobile home construction and safety standards prescribed pursuant to this title.

(g) Each manufacturer of mobile homes shall provide to the Secretary such performance data and other technical data related to performance and safety as may be required to carry out the purposes of this title. These shall include records of tests and test results which the Secretary may require to be performed. The Secretary is authorized to require the manufacturer to give notification of such performance and technical data to—

(1) each prospective purchaser of a mobile home before its first sale for purposes other than resale, at each location where any such manufacturer's mobile homes are offered for sale by a person with whom such manufacturer has a contractual, proprietary, or other legal relationship and in a manner determined by the Secretary to be appropriate, which may include, but is not limited to, printed matter (A) available for retention by such prospective purchaser, and (B) sent by mail to such prospective purchaser upon his request; and

(2) the first person who purchases a mobile home for purposes other than resale, at the time of such purchase or in printed matter placed in the mobile home.

(h) All information reported to or otherwise obtained by the Secretary or his representative pursuant to subsection (b), (c), (f), or (g) which contains or relates to a trade secret, or which, if disclosed, would put the person furnishing such information at a substantial competitive disadvantage, shall be considered confidential, except that such information may be disclosed to other officers or employees concerned with carrying out this title or when relevant in any proceeding under this title. Nothing in this section shall authorize the withholding of information by the Secretary or any officer or employee under his control from the duly authorized committees of the Congress.

#### NOTIFICATION AND CORRECTION OF DEFECTS

SEC. 615. (a) Every manufacturer of mobile homes shall furnish notification of any defect in any mobile home produced by such manufacturer which he determines, in good faith, relates to a Federal mo-



bile home construction or safety standard or contains a defect which constitutes an imminent safety hazard to the purchaser of such mobile home, within a reasonable time after such manufacturer has discovered such defect.

(b) The notification required by subsection (a) shall be accomplished—

(1) by mail to the first purchaser (not including any dealer or distributor of such manufacturer) of the mobile home containing the defect, and to any subsequent purchaser to whom any warranty on such mobile home has been transferred;

(2) by mail to any other person who is a registered owner of such mobile home and whose name and address has been ascertained pursuant to procedures established under subsection (f); and

(3) by mail or other more expeditious means to the dealer or dealers of such manufacturer to whom such mobile home was delivered.

(c) The notification required by subsection (a) shall contain a clear description of such defect or failure to comply, an evaluation of the risk to mobile home occupants' safety reasonably related to such defect, and a statement of the measures needed to repair the defect. The notification shall also inform the owner whether the defect is a construction or safety defect which the manufacturer will have corrected at no cost to the owner of the mobile home under subsection (g) or otherwise, or is a defect which must be corrected at the expense of the owner.

(d) Every manufacturer of mobile homes shall furnish to the Secretary a true or representative copy of all notices, bulletins, and other communications to the dealers of such manufacturer or purchasers of mobile homes of such manufacturer regarding any defect in any such mobile home produced by such manufacturer. The Secretary shall disclose to the public so much of the information contained in such notices or other information obtained under section 614 as he deems will assist in carrying out the purposes of this title, but he shall not disclose any information which contains or relates to a trade secret, or which, if disclosed, would put such manufacturer at a substantial competitive disadvantage, unless he determines that it is necessary to carry out the purposes of this title.

(e) If the Secretary determines that any mobile home—

(1) does not comply with an applicable Federal mobile home construction and safety standard prescribed pursuant to section 604; or

(2) contains a defect which constitutes an imminent safety hazard,

then he shall immediately notify the manufacturer of such mobile home of such defect or failure to comply. The notice shall contain the findings of the Secretary and shall include all information upon which the findings are based. The Secretary shall afford such manufacturer an opportunity to present his views and evidence in support thereof, to establish that there is no failure of compliance. If after such presentation by the manufacturer the Secretary determines that such mobile home does not comply with applicable Federal mobile

home construction or safety standards, or contains a defect which constitutes an imminent safety hazard, the Secretary shall direct the manufacturer to furnish the notification specified in subsections (a) and (b) of this section.

(f) Every manufacturer of mobile homes shall maintain a record of the name and address of the first purchaser of each mobile home (for purposes other than resale), and, to the maximum extent feasible, shall maintain procedures for ascertaining the name and address of any subsequent purchaser thereof and shall maintain a record of names and addresses so ascertained. Such records shall be kept for each home produced by a manufacturer. The Secretary may establish by order procedures to be followed by manufacturers in establishing and maintaining such records, including procedures to be followed by distributors and dealers to assist manufacturers to secure the information required by this subsection. Such procedures shall be reasonable for the particular type of mobile home for which they are prescribed.

(g) A manufacturer required to furnish notification of a defect under subsection (a) or (e) shall also bring the mobile home into compliance with applicable standards and correct the defect or have the defect corrected within a reasonable period of time at no expense to the owner, but only if—

(1) the defect presents an unreasonable risk of injury or death to occupants of the affected mobile home or homes;

(2) the defect can be related to an error in design or assembly of the mobile home by the manufacturer.

The Secretary may direct the manufacturer to make such corrections after providing an opportunity for oral and written presentation of views by interested persons. Nothing in this section shall limit the rights of the purchaser or any other person under any contract or applicable law.

(h) The manufacturer shall submit his plan for notifying owners of the defect and for repairing such defect (if required under subsection (g)) to the Secretary for his approval before implementing such plan. Whenever a manufacturer is required under subsection (g) to correct a defect, the Secretary shall approve with or without modification, after consultation with the manufacturer of the mobile home involved, such manufacturer's remedy plan including the date when, and the method by which, the notification and remedy required pursuant to this section shall be effectuated. Such date shall be the earliest practicable one but shall not be more than sixty days after the date of discovery or determination of the defect or failure to comply, unless the Secretary grants an extension of such period for good cause shown and publishes a notice of such extension in the Federal Register. Such manufacturer is bound to implement such remedy plan as approved by the Secretary.

(i) Where a defect or failure to comply in a mobile home cannot be adequately repaired within sixty days from the date of discovery or determination of the defect, the Secretary may require that the mobile home be replaced with a new or equivalent home without charge, or that the purchase price be refunded in full, less a reasonable allowance for depreciation based on actual use if the home has been in the possession of the owner for more than one year.

CERTIFICATION OF CONFORMITY WITH CONSTRUCTION AND SAFETY STANDARDS

SEC. 616. Every manufacturer of mobile homes shall furnish to the distributor or dealer at the time of delivery of each such mobile home produced by such manufacturer certification that such mobile home conforms to all applicable Federal construction and safety standards. Such certification shall be in the form of a label or tag permanently affixed to each such mobile home.

CONSUMER INFORMATION

SEC. 617. The Secretary shall develop guidelines for a consumer's manual to be provided to mobile home purchasers by the manufacturer. These manuals should identify and explain the purchasers' responsibilities for operation, maintenance, and repair of their mobile homes.

EFFECT UPON ANTITRUST LAWS

SEC. 618. Nothing contained in this title shall be deemed to exempt from the antitrust laws of the United States any conduct that would otherwise be unlawful under such laws, or to prohibit under the antitrust laws of the United States any conduct that would be lawful under such laws. As used in this section, the term "antitrust laws" includes, but is not limited to, the Act of July 2, 1890, as amended; the Act of October 14, 1914, as amended; the Federal Trade Commission Act (15 U.S.C. 41 et seq.); and sections 73 and 74 of the Act of August 27, 1894, as amended.

USE OF RESEARCH AND TESTING FACILITIES OF PUBLIC AGENCIES

SEC. 619. The Secretary, in exercising the authority under this title, shall utilize the services, research and testing facilities of public agencies and independent testing laboratories to the maximum extent practicable in order to avoid duplication.

INSPECTION FEES

SEC. 620. In carrying out the inspections required under this title, the Secretary may establish and impose on mobile home manufacturers, distributors, and dealers such reasonable fees as may be necessary to offset the expenses incurred by him in conducting such inspections, except that this section shall not apply in any State which has in effect a State plan under section 623.

PENALTIES ON INSPECTIONS

SEC. 621. Any person, other than an officer or employee of the United States, or a person exercising inspection functions under a State plan pursuant to section 623, who knowingly and willfully fails to report a violation of any construction or safety standard established under section 604 may be fined up to \$1,000 or imprisoned for up to one year, or both.



## PROHIBITION ON WAIVER OF RIGHTS

SEC. 622. The rights afforded mobile home purchasers under this title may not be waived, and any provision of a contract or agreement entered into after the enactment of this title to the contrary shall be void.

## STATE JURISDICTION; STATE PLANS

SEC. 623. (a) Nothing in this title shall prevent any State agency or court from asserting jurisdiction under State law over any mobile home construction or safety issue with respect to which no Federal mobile home construction and safety standard has been established pursuant to the provisions of section 604.

(b) Any State which, at any time, desires to assume responsibility for enforcement of mobile home safety and construction standards relating to any issue with respect to which a Federal standard has been established under section 604, shall submit to the Secretary a State plan for enforcement of such standards.

(c) The Secretary shall approve the plan submitted by a State under subsection (b), or any modification thereof, if such plan in his judgment—

(1) designates a State agency or agencies as the agency or agencies responsible for administering the plan throughout the State;

(2) provides for the enforcement of mobile home safety and construction standards promulgated under section 604;

(3) provides for a right of entry and inspection of all factories, warehouses, or establishments in such State in which mobile homes are manufactured and for the review of plans, in a manner which is identical to that provided in section 614;

(4) provides for the imposition of the civil and criminal penalties under section 611;

(5) provides for the notification and correction procedures under section 615;

(6) provides for the payment of inspection fees by manufacturers in amounts adequate to cover the cost of inspections;

(7) contains satisfactory assurances that the State agency or agencies have or will have the legal authority and qualified personnel necessary for the enforcement of such standards;

(8) give satisfactory assurances that such State will devote adequate funds to the administration and enforcement of such standards;

(9) requires manufacturers, distributors, and dealers in such State to make reports to the Secretary in the same manner and to the same extent as if the State plan were not in effect;

(10) provides that the State agency or agencies will make such reports to the Secretary in such form and containing such information as the Secretary shall from time to time require; and

(11) complies with such other requirements as the Secretary may by regulation prescribe for the enforcement of this title.

(d) If the Secretary rejects a plan submitted under subsection (b), he shall afford the State submitting the plan due notice and opportunity for a hearing before so doing.

(e) After the Secretary approves a State plan submitted under subsection (b), he may, but shall not be required to, exercise his authority under this title with respect to enforcement of mobile home construction and safety standards in the State involved.

(f) The Secretary shall, on the basis of reports submitted by the designated State agency and his own inspections, make a continuing evaluation of the manner in which each State having a plan approved under this section is carrying out such plan. Such evaluation shall be made by the Secretary at least annually for each State, and the results of such evaluation and the inspection reports on which it is based shall be promptly submitted to the appropriate committees of the Congress. Whenever the Secretary finds, after affording due notice and opportunity for a hearing, that in the administration of the State plan there is a failure to comply substantially with any provision of the State plan or that the State plan has become inadequate, he shall notify the State agency or agencies of his withdrawal of approval of such plan. Upon receipt of such notice by such State agency or agencies such plan shall cease to be in effect, but the State may retain jurisdiction in any case commenced before the withdrawal of the plan in order to enforce mobile home standards under the plan whenever the issues involved do not relate to the reasons for the withdrawal of the plan.

#### GRANTS TO STATES

SEC. 624. (a) The Secretary is authorized to make grants to the States which have designated a State agency under section 623 to assist them—

(1) in identifying their needs and responsibilities in the area of mobile home construction and safety standards; or

(2) in developing State plans under section 623.

(b) The Governor of each State shall designate the appropriate State agency for receipt of any grant made by the Secretary under this section.

(c) Any State agency designated by the Governor of a State desiring a grant under this section shall submit an application therefor to the Secretary. The Secretary shall review and either accept or reject such application.

(d) The Federal share for each State grant under subsection (a) of this section may not exceed 90 per centum of the total cost to the State in identifying its needs and developing its plan. In the event the Federal share for all States under such subsection is not the same, the differences among the States shall be established on the basis of objective criteria.

#### RULES AND REGULATIONS

SEC. 625. The Secretary is authorized to issue, amend, and revoke such rules and regulations as he deems necessary to carry out this title.

#### ANNUAL REPORT TO CONGRESS

SEC. 626. (a) The Secretary shall prepare and submit to the President for transmittal to the Congress on July 1 of every other year beginning with calendar year 1978<sup>1</sup> a comprehensive report on the ad-

<sup>1</sup> Housing and Community Development Amendments of 1978, Sec. 901(a)(1). Public Law 95-557, 92 Stat. 2080, approved October 31, 1978, replaced "March 1 of each year" with the phrase "July 1 of every other year beginning with calendar year 1978".

ministration of this title for the two preceding calendar years:<sup>1</sup> Such report shall include but not be restricted to (1) a thorough statistical compilation of the accidents, injuries, deaths, and property losses occurring in or involving mobile homes in such years;<sup>2</sup> (2) a list of Federal mobile home construction and safety standards prescribed or in effect in such years;<sup>2</sup> (3) the level of compliance with all applicable Federal mobile home standards; (4) a summary of all current research grants and contracts together with a description of the problems to be studied in such research; (5) an analysis and evaluation, including relevant policy recommendations, of research activities completed and technological progress achieved during such years;<sup>2</sup> (6) a statement of enforcement actions including judicial decisions, settlements, defect notifications, and pending litigation commenced during such years;<sup>2</sup> and (7) the extent to which technical information was disseminated to the scientific community and consumer-oriented information was made available to mobile home owners and prospective buyers.

(b) The report required by subsection (a) of this section shall contain such recommendations for additional or revised legislation as the Secretary deems necessary to promote the improvement of mobile home construction and safety and to strengthen the national mobile home program.

(c) In order to assure a continuing and effective national mobile home construction and safety program, it is the policy of Congress to encourage the adoption of State inspection of used mobile homes. Therefore, to that end the Secretary shall conduct a thorough study and investigation to determine the adequacy of mobile home construction and safety standards and mobile home inspection requirements and procedures applicable to used mobile homes in each State, and the effect of programs authorized by this title upon such standards, requirements, and procedures for used mobile homes, and report to Congress as soon as practicable, but not later than one year after the date of enactment of this Act, the results of such study, and recommendations for such additional legislation as he deems necessary to carry out the purposes of this title. Such report shall also include recommendations by the Secretary relating to the problems of disposal of used mobile homes.

#### AUTHORIZATION OF APPROPRIATIONS

SEC. 627. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title.

#### EFFECTIVE DATE

SEC. 628. The provisions of this title shall take effect upon the expiration of 180 days following the date of enactment of this title.

<sup>1</sup> Housing and Community Development Amendments of 1978, Sec. 901(a)(2), P.L. 95-557, 92 U.S.C. 2080, approved October 31, 1978, struck the phrase "preceding calendar year" and replaced it with "two preceding calendar years".

<sup>2</sup> Housing and Community Development Amendments of 1978, Sec. 901(b), P.L. 95-557, 92 U.S.C. 2080, approved October 31, 1978, amended clauses (1), (2) and (5) by striking out "such year," and amending clause (6) by striking out "the year," and replacing these phrases with "such years".



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# SECONDARY MARKET FOR MORTGAGE LOANS

## EXCERPTS FROM THE NATIONAL HOUSING ACT

### TITLE III—NATIONAL MORTGAGE ASSOCIATIONS<sup>1</sup>

#### PURPOSES

SEC. 301.<sup>2</sup> The Congress hereby declares that the purposes of this title are to establish<sup>3</sup> secondary market facilities for home mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible, and to authorize such facilities to—

(a) provide supplementary assistance to the secondary market for home mortgages by providing a degree of liquidity for mort-

<sup>1</sup> Prior to amendment by sec. 802(a), Housing and Urban Development Act of 1968, the heading of title III was "Federal National Mortgage Association."

Sec. 201 of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 612, 12 U.S.C. 1716 et seq., rewrote title III of the National Housing Act to recharter the Federal National Mortgage Association and prescribe its functions. Sec. 312 of the National Housing Act which provides that title III may be referred to as the "Federal National Mortgage Association Charter Act."

Title III of the National Housing Act as it was originally enacted authorized the creation of national mortgage associations to purchase and sell first mortgages on real estate. At the request of the President of the United States, on February 10, 1938, pursuant to title III, the Federal National Mortgage Association was chartered by the Federal Housing Administration as the "National Mortgage Association of Washington". The name was changed to the Federal National Mortgage Association on April 5, 1938. The entire capital stock and paid-in surplus were subscribed and paid for by the Reconstruction Finance Corporation, and the conduct of the Association's affairs was integrated with and directed by the RFC. On September 7, 1950, the Association was transferred to the Housing and Home Finance Agency pursuant to Reorganization Plan No. 22 of 1950, 64 Stat. 1277.

Sec. 202 of the Housing Act of 1954 provided that the "Federal National Mortgage Association, established pursuant to the provisions of title III of the National Housing Act as in effect prior to July 1, 1948, and named in sec. 101 of the Government Corporation Control Act, as amended, shall be the body corporate referred to in sec. 302 of title III of the National Housing Act, as amended by the Housing Act of 1954".

Sec. 5(b) of the Department of Housing and Urban Development Act, Public Law 89-174, approved September 9, 1965, 79 Stat. 667, 669, transferred the Association to the Department established by that Act.

Title VIII, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 536 amended title III extensively. Sec. 801 stated the purposes of title VIII as follows:

"SEC. 801. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 204 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306."

Sec. 805 of the 1968 Act provided as follows:

"Sec. 805. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto."

This date was established as Sept. 1, 1968.

<sup>2</sup> Executive Order No. 11732 [F.R. 20420], approved July 30, 1973, delegated the functions of the President to the Secretary of Housing and Urban Development under title III, secs. 301 and 305.

<sup>3</sup> Sec. 802(b)(1), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 536, deleted "in the Federal Government a" after "establish".

gage investments, thereby improving the distribution of investment capital available for home mortgage financing;

(b) provide special assistance (when, and to the extent that, the President has determined that it is in the public interest) for the financing of (1) selected types of home mortgages (pending the establishment of their marketability) originated under special housing programs designed to provide housing of acceptable standards at full economic costs for segments of the national population which are unable to obtain adequate housing under established home financing programs, and (2) home mortgages generally as a means of retarding or stopping a decline in mortgage lending and home building activities which threatens materially the stability of a high level national economy; and

(c) manage and liquidate federally owned mortgage portfolios<sup>1</sup> in an orderly manner, with a minimum of adverse effect upon the home mortgage market and minimum loss to the Federal Government.

#### CREATION OF ASSOCIATION

SEC. 302. (a) (1) There is hereby created a body corporate to be known as the "Federal National Mortgage Association" which shall be in the Department of Housing and Urban Development. The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(2) On <sup>2</sup> September 1, 1968,<sup>3</sup> the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the "Association"), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such date,<sup>4</sup> including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia or the metropolitan area thereof<sup>5</sup> and shall be deemed, for purposes of jurisdiction and<sup>6</sup> venue

<sup>1</sup> Sec. 802(b)(5), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 536, substituted "federally owned mortgage portfolios" for "the existing mortgage portfolio of the Federal National Mortgage Association".

<sup>2</sup> Sec. 802(c)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 536, added paragraph (2).

<sup>3</sup> Sec. 806(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "September 1, 1968" for "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

<sup>4</sup> Sec. 806(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the word "effective" in subparagraphs (A) and (B).

<sup>5</sup> Sec. 806(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or the metropolitan area thereof" immediately after "District of Columbia".

<sup>6</sup> Sec. 806(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "jurisdiction and" immediately before "venue".



in civil actions, to be a District of Columbia corporation.<sup>1</sup> Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the "corporation"), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such date.<sup>2</sup> The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia or the metropolitan area thereof<sup>3</sup> and shall be deemed, for purposes of jurisdiction and<sup>4</sup> venue in civil actions to be a District of Columbia corporation.<sup>5</sup>

(3)<sup>6</sup> The partition transaction effected pursuant to the foregoing paragraph constitutes a reorganization within the meaning of section 368(a)(1)(E) of the Internal Revenue Code of 1954; and for the purposes of such Code, no gain or loss is recognized by the previously existing body corporate by reason of the partition, and the basis and holding period of the assets of the corporation immediately following such partition are the same as the basis and holding period of such assets immediately prior to such partition.

(b) (1) For the purposes set forth in section 301 and subject to the limitations and restrictions of this title, each of the bodies corporate<sup>7</sup> named in subsection (a)(2) is authorized, pursuant to commitments or otherwise, to purchase, service, sell, or otherwise deal in any mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949,<sup>8</sup> or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code; and to purchase, service, sell, or otherwise deal in any loans made or guaranteed<sup>9</sup> under part B of title VI of the Public Health Service Act; and the corporation is authorized to lend<sup>10</sup> on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section

<sup>1</sup> Sec. 806(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted the words "District of Columbia corporation" for "resident thereof".

<sup>2</sup> Sec. 806(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the word "effective" in subparagraphs (A) and (B).

<sup>3</sup> Sec. 806(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "or the metropolitan area thereof" immediately after "District of Columbia".

<sup>4</sup> Sec. 806(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted the words "jurisdiction and" immediately before "venue".

<sup>5</sup> Sec. 806(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted the words "District of Columbia corporation" for "resident thereof".

<sup>6</sup> Sec. 901(d), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1807, added paragraph (3).

<sup>7</sup> Sec. 802(d)(1), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 537 amended this sentence to make it apply to both FNMA and GNMA.

<sup>8</sup> Sec. 1004(a)(1) of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 501 inserted "or title V of the Housing Act of 1949" (rural housing mortgages).

<sup>9</sup> Sec. 2 of Public Law 93-541, 88 Stat. 1739, approved December 26, 1974, substituted the words "or guaranteed" for "to a public agency" which was added by Public Law 91-296, 84 Stat. 336, approved June 30, 1970.

<sup>10</sup> The provision allowing lending activities was added by sec. 603(a), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 176. It was reworded to make it applicable only to FNMA by sec. 802(d)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 537.

306(g):<sup>1</sup> *Provided*, That (1) the Association<sup>2</sup> may not purchase any mortgage at a price exceeding 100 per centum of the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items; (2) the Association may not purchase any mortgage, except a mortgage insured under title V of the Housing Act of 1949,<sup>3</sup> if it is offered by, or covers property held by a<sup>4</sup> State, territorial, or municipal instrumentality; and (3) the Association may not purchase any mortgage under section 305, except a mortgage insured under section 220 or title VIII<sup>5</sup> or section 203(k) or under title X with respect to a new community approved under section 1004 thereof, or insured under section 213 and covering property located in an urban renewal area, or a mortgage covering property located in Alaska, Guam, or Hawaii, if the original principal obligation thereof exceeds or exceeded \$55,000 in the case of property upon which is located a dwelling designed principally for a one-family residence; or \$60,000 in the case of a two- or three-family residence, or \$68,750 in the case of a four-family residence; or in the case of a property containing more than four dwelling units, \$38,000 per dwelling unit (or such higher amount not in excess of \$45,000 per dwelling unit as the Secretary may by regulation specify in any geographical area where the Secretary finds that cost levels so require) for that part of the property (attributable to dwelling use).<sup>6</sup> Notwithstanding<sup>7</sup> the

<sup>1</sup> The authority to purchase these securities was added by sec. 802(d)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 537.

<sup>2</sup> Clause (1) was amended to be applicable only to GNMA by sec. 802(d)(4), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 537.

<sup>3</sup> Sec. 1004(a)(2) of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 501, inserted "except a mortgage insured under title V of the Housing Act of 1949," (rural housing mortgages).

<sup>4</sup> Sec. 802(a)(1) of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 493, struck out "Federal".

<sup>5</sup> The phrase or section 203(k) was added by Section 101(c)(3) of the Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080 (1978).

<sup>6</sup> The dollar limitation established by the 1954 FNMA Charter Act was \$15,000, and it applied to all functions of FNMA without exception. Sec. 201 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved Aug. 7, 1956, 70 Stat. 1096, exempted mortgages insured under sec. 803 and mortgages of property located in Alaska, Guam, or Hawaii from the limitation. Sec. 301 of the Housing Act of 1959, Public Law 86-372, approved Sept. 23, 1959, 73 Stat. 669, exempted mortgages insured under sec. 220 (urban renewal housing), increased the limitation to \$17,500, and added a proviso increasing the limitation to \$20,000 for purchase under sec. 304 (secondary market operations). Sec. 602, Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 176, expanded the exemption for "section 803" to "title VIII" and added the exemption for any mortgage insured under sec. 213 (cooperative housing) and covering property located in an urban renewal area. Sec. 702, Housing Act of 1964, Public Law 88-560, approved Sept. 2, 1964, 78 Stat. 802, limited the \$17,500 limitation to mortgages purchased under sec. 305 (special assistance functions) and repealed the \$20,000 limitation. Sec. 114 (1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 385, increased the \$17,500 limitation to \$22,000. Sec. 804, Housing and Urban Development Act of 1965, Public Law 89-117, approved Aug. 10, 1965, 79 Stat. 494, inserted the matter within the parentheses. Sec. 405, of Demonstration Cities and Metropolitan Development Act, Public Law 89-754, approved Nov. 3, 1966, 80 Stat. 1273, added the exemption for new community mortgages insured under title X, Sec. 2 of Public Law 92-213, approved Dec. 22, 1971, 85 Stat. 775, authorized the Secretary for "six months" following the approved date of the resolution (December 22, 1971) to increase the limitation by up to 50% when he believed such action necessary to avoid excessive discounts. Section 7 of Public Law 92-335, approved July 1, 1972, 86 Stat. 405, struck out "six months" and inserted "9 months". Section 2 of Public Law 92-503, approved October 18, 1972, 86 Stat. 906, extended the Secretary's authority until June 30, 1973. Sec. 3 of Public Law 93-85, 87 Stat. 220, approved August 10, 1973, further extended the authority of the Secretary by striking out "June 30, 1973" and inserting in lieu thereof "October 1, 1973"; and section 4 of Public Law 93-117, 87 Stat. 421, approved October 2, 1973, further amended the authority of the Secretary by striking out "October 1, 1973" and inserting in lieu thereof "October 1, 1974". Sec. 807 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended Clause (3) of the proviso in section 302(b)(1) by deleting "\$22,000" and inserting the words "\$33,000 (or such higher amount not in excess of \$38,000 as the Secretary may by regulation specify in any geographical area where he finds that cost levels so require)". Amended further by Sec. 318(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>7</sup> Sec. 803, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 494, inserted this sentence.



provisions of clause (3) in the preceding sentence, the Association may purchase a mortgage under section 305 with an original principal obligation that exceeds the<sup>1</sup> otherwise applicable maximum amount per dwelling unit if the mortgage (1) is<sup>2</sup> insured under section 236 or is a below-market interest rate mortgage insured under section 221(d)(3), and (2) covers property which has the benefit of local tax abatement in an amount determined by the Secretary of Housing and Urban Development to be sufficient to make possible rentals not in excess of those that would be approved by the Secretary if the mortgage amount did not exceed the otherwise applicable maximum amount per dwelling unit and if local tax abatement were not provided. For<sup>3</sup> the purposes of this title, the term "mortgages" and "home mortgages" shall be inclusive of any mortgages or other loans insured under any of the provisions of the National Housing Act or title V of the Housing Act of 1949.

(2)<sup>4</sup> For the purposes set forth in section 301(a) and with the approval of the Secretary of Housing and Urban Development, the corporation is authorized, pursuant to commitments or otherwise, to purchase, service, sell, lend on the security of, or otherwise deal in mortgages which are not insured or guaranteed as provided in paragraph (1) (such mortgages referred to hereinafter as "conventional mortgages"). No such purchase of a conventional mortgage shall be made if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum<sup>5</sup> of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in excess of such 80 per centum<sup>5</sup> is guaranteed or insured by a qualified<sup>6</sup> insurer as determined by the corporation. The corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The corporation may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is currently engaged in mortgage lending or investing activities and if, as a result

<sup>1</sup> Sec. 114, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 385, substituted at this point the words "the otherwise applicable maximum amount" for \$17,500."

<sup>2</sup> Sec. 402, Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 458, inserted at this point the words "is insured under section 236 or".

<sup>3</sup> As added by sec. 102(c) of the Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 158, this sentence read: "For the purposes of this title, the term 'mortgages' shall be inclusive of any mortgages or other loans insured under any of the provisions of the National Housing Act." Sec. 201(b)(1) of the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 465, struck out "the term 'mortgages'" and inserted in lieu thereof "the terms 'mortgages' and 'home mortgages'". Sec. 1004(a)(3) of the Housing and Urban Development Act of 1965, Public Law 89-117, 79 Stat. 501, inserted "or title V of the Housing Act of 1949".

<sup>4</sup> Sec. 201(a), Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 451, added paragraph (2).

<sup>5</sup> Sec. 806(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "80 per centum" for "75 per centum" each place it appeared.

<sup>6</sup> Sec. 806(d) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the word "private" in Clause (C).



thereof, the cumulative aggregate of the principal balances of all conventional mortgages purchased by the corporation which were originated more than one year prior to the date of purchase does not exceed 20 per centum<sup>1</sup> of the cumulative aggregate of the principal balances of all conventional mortgages purchased by the corporation. The corporation shall establish limitations governing the maximum principal obligation of conventional mortgages purchased by it, but such limitations shall not exceed by more than 25 per centum<sup>2</sup> the limitations contained in the first proviso of the first sentence of section 5(c) of the Home Owners Loan Act of 1933.<sup>2</sup>

(3)<sup>3</sup> The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in loans or advances of credit made for energy conserving improvements and solar energy systems described in the last paragraph of section 2(a) of the National Housing Act, whether or not insured under such section. To be eligible for purchase, any such loan not so insured may be secured as required by the corporation.”

(c) (1)<sup>4</sup> Notwithstanding any other provision of this Act or of any other law, the Association is authorized under section 306 to create, accept, execute, and otherwise administer in all respects such trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings and activities, hereinafter in this subsection called “trusts”, as might be appropriate for financing purposes; and in relation thereto the Association may acquire, hold and manage, dispose of, and otherwise deal in any mortgages or other types of obligations in which any department or agency of the United States listed in paragraph (2) of this subsection may have a financial interest. The Association may join in any such undertakings and activities notwithstanding that it is also serving in a fiduciary or representative capacity; and is authorized to guarantee any participations or other instruments, whether evidence of property rights or debt, issued for such financing purposes. Participations or other instruments issued by the Association pursuant to this subsection shall to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The amounts of any mortgages and other obligations acquired by the Association under section 306, pursuant to this subsection, shall not be included in the total amounts set forth in section 306(c).

(2)<sup>5</sup> Subject to the limitations provided in paragraph (4) of this subsection, one or more trusts may be established as provided in this subsection by each of the following departments or agencies:

<sup>1</sup> Sec. 806(e) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted “20 per centum” for “10 per centum”.

<sup>2</sup> Sec. 806(f) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended the last sentence of this subsection (b) (2). Amended by Housing and Community Development Act of 1977, Public Law 95-123, approved October 12, 1977, to read as set forth in the text.

<sup>3</sup> Added by Sec. 246, National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

<sup>4</sup> Sec. 302(c) was added by sec. 701(a) of the Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 800, and amended by the Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 494. Sec. 2(a) of the Participation Sales Act of 1966, Public Law 89-429, approved May 24, 1966, 80 Stat. 164, further amended this section and redesignated subsec. (c) as par. (1). Sec. 2(b) of Public Law 89-429, added pars. (2), (3), (4), and (5) to sec. 302(c).

<sup>5</sup> This paragraph was added by section 2(b) of Public Law 89-429, approved May 24, 1966, 80 Stat. 164.

(A) The Farmers Home Administration of the Department of Agriculture, but only with respect to operating loans, direct farm ownership loans, direct housing loans, and direct soil and water loans. Such trusts may not be established with respect to loans for housing for the elderly under sections 502 and 515(a) of the Housing Act of 1949, nor with respect to loans for nonfarm recreational development.

(B)<sup>1</sup> The Department of Health, Education, and Welfare, but only with respect to loans made by the Commissioner of Education for construction of academic facilities, and loans to help finance student loan programs.

(C)<sup>2</sup> The Department of Housing and Urban Development.

(D) The Veterans' Administration.

(E) The Export-Import Bank.

(F) The Small Business Administration.

The head of each such department or agency, hereinafter in this subsection called the "trustor", is authorized to set aside a part or all of any obligations held by him and subject them to a trust or trusts and, incident thereto, shall guarantee to the trustee timely payment thereof. The trust instrument may provide for the issuance and sale of beneficial interests or participations, by the trustee, in such obligations or in the right to receive interest and principal collections therefrom; and may provide for the substitution or withdrawal of such obligations, or for the substitution of cash for obligations. The trust or trusts shall be exempt from all taxation. The trust instrument may also contain other appropriate provisions in keeping with the purposes of this subsection. The Association shall be named and shall act as trustee of any such trusts and, for the purposes thereof, the title to such obligations shall be deemed to have passed to the Association in trust. The trust instrument shall provide that custody, control, and administration of the obligations shall remain in the trustor subjecting the obligations to the trust, subject to transfer to the trustee in event of default or probable default, as determined by the trustee, in the payment of principal and interest of the beneficial interests or participations. Collections from obligations subject to the trusts shall be dealt with as provided in the instrument creating the trust. The trust instrument shall provide that the trustee will promptly pay to the trustor the full net proceeds of any sale of beneficial interests or participations to the extent they are based upon such obligations or collections. Such proceeds shall be dealt with as otherwise provided by law for sales or repayment of such obligations. The effect of both past and future sales of any issue of beneficial interests or participations shall be the same, to the extent of the principal of such issue, as the direct sale with recourse of the obligations subject to the trust. Any trustor creating a trust or trusts hereunder is authorized to purchase, through the facilities of the trustee, outstanding beneficial interests

<sup>1</sup> Immediately prior to amendment by sec. 7 of Public Law 89-751, approved November 3, 1966, 80 Stat. 1222, 1236, clause B read as follows:

"(B) The Office of Education of the Department of Health, Education, and Welfare, but only with respect to loans for construction of academic facilities."

<sup>2</sup> Immediately prior to amendment by section 802(g), Housing and Urban Development Act of 1968, Public Law 90-443, approved August 1, 1968, 82 Stat. 476, 537, clause (C) read as follows:

(C) The Department of Housing and Urban Development, except that such authority may not be used with respect to secondary market operations of the Federal National Mortgage Association.



or participations to the extent of the amount of his responsibility to the trustee on beneficial interests or participations outstanding, and to pay his proper share of the costs and expenses incurred by the Association as trustee pursuant to the trust instrument.

(3)<sup>1</sup> When any trustor guarantees to the trustee the timely payment of obligations he subjects to a trust pursuant to this subsection, and it becomes necessary for such trustor to meet his responsibilities under such guaranty, he is authorized to fulfill such guaranty.

(4) Beneficial interests or participations shall not be issued for the account of any trustor in an aggregate principal amount greater than is authorized with respect to such trustor in an appropriation Act. Any such authorization shall remain available only for the fiscal year for which it is granted and for the succeeding fiscal year.<sup>2</sup>

(5) The Association, as trustee, is authorized to issue and sell beneficial interests or participations under this subsection, notwithstanding that there may be insufficiency in aggregate receipts from obligations subject to the related trust to provide for the payment by the trustee (on a timely basis out of current receipts or otherwise) of all interest or principal on such interests or participations (after provision for all costs and expenses incurred by the trustee, fairly prorated among trustors). There are authorized<sup>3</sup> to be appropriated without fiscal year limitation such sums as may be necessary to enable any trustor to pay the trustee such insufficiency as the trustee may require on account of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection. Such trustor shall make timely payments to the trustee from such appropriations, subject to and in accord with the trust instrument. In<sup>4</sup> the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued.

#### CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION<sup>5</sup>

SEC. 303. (a) The corporation shall have common stock,<sup>6</sup> without par value, which shall be vested with all voting rights, each share being

<sup>1</sup> Paragraphs (3) and (4) were added by sec. 2(b) of Public Law 89-429, approved May 24, 1966, 80 Stat. 164.

<sup>2</sup> See Participation Sales for these authorizations.

<sup>3</sup> See Participation Sales for appropriations pursuant to this authorization.

<sup>4</sup> The remainder of this paragraph was added by sec. 803, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 542.

<sup>5</sup> Sec. 802(h), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 537, inserted "Federal National Mortgage Association".

<sup>6</sup> Sec. 802(i)(1), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 537, amended this sentence to change the common stock from nonvoting and \$100 par value to voting and no par value.



entitled to one vote with rights of cumulative voting at all elections of directors.<sup>1</sup> The free transferability<sup>2</sup> of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferrable only on the books of the corporation.

(b) The corporation may accumulate funds for its capital surplus account from private sources by requiring each mortgage seller to make payments of nonrefundable capital contributions,<sup>3</sup> equal to not more than 2 per centum of the unpaid principal amounts of mortgages purchased or to be purchased by the corporation from such seller under section 304, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, taking into consideration conditions in the mortgage market and the general economy; and by requiring each borrower to make such payments, equal to not more than one-half of 1 per centum of the amount lent by the corporation to such borrower under section 304. In addition, the corporation may impose charges or fees, which<sup>4</sup> may be regarded as elements of pricing, with the objective that all costs and expenses of its operations should be within its income derived from such operations and that such operations should be fully self-supporting. All earnings from the operations of the corporation shall annually be transferred to its general surplus account. At any time, funds of the general surplus account may, in the discretion of the board of directors, be transferred to reserves. All dividends shall be charged against the general surplus account.

(c) The corporation shall issue, from time to time, to each mortgage seller or borrower, its common stock evidencing any capital contributions (adjusted<sup>5</sup> by reason of any payments into surplus required by the corporation) made by such seller or borrower pursuant to subsection (b) of this section. In<sup>6</sup> addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to

<sup>1</sup> Sec. 806(g) (1) and (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 303(a).

<sup>2</sup> Sec. 802(l) (3), Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 537, repealed a provision allowing retirement by the common stock at par.

<sup>3</sup> Title II of the Housing Act of 1954, Public Law 560, 83d Congress, approved August 2, 1954, 68 Stat. 590, 612, 614, provided a capital contribution requirement of "not less than 3 per centum". Sec. 202 of Housing Act of 1956, Public Law 1020, approved August 7, 1956, 70 Stat. 1091, 1096, provided a minimum requirement of "not less than 1 per centum". Sec. 902, Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1808, deleted this minimum requirement. Sec. 201 of Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 298, added the ceiling of "not more than 2 per centum". Sec. 902, Housing and Urban Development Act of 1970, inserted "with the approval of the Secretary of Housing and Urban Development". Sec. 603(b) of the Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 176, amended the first sentence of this subsection by adding the semicolon and all that follows it before the period.

<sup>4</sup> Sec. 802(j) (1), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 537 substituted "which may be regarded as elements of pricing" for "for its services".

<sup>5</sup> Sec. 603(c), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 176, inserted the matter within the parentheses.

<sup>6</sup> The remainder of this paragraph was added by sec. 802(k) (2), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 533.

time by the corporation, with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to September 1, 1968<sup>1</sup> and which are then serviced by such servicer for the corporation.

Such dividends as may be declared by the board of directors in its discretion shall be paid by the Association to the holders of its common stock, but in any one fiscal year the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate<sup>2</sup> which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation.<sup>3</sup>

(d) Repealed.<sup>4</sup>

(e) Repealed.<sup>4</sup>

(f) Notwithstanding any other provision of law, any institution, including a national bank or State member bank of the Federal Reserve System or any member of the Federal Deposit Insurance Corporation, trust company, or other banking organization, organized under any law of the United States, including the laws relating to the District of Columbia, shall be authorized to make payments to the corporation of the nonrefundable capital contributions referred to in subsection (b) of this section, to receive stock of the corporation evidencing such capital contributions, to purchase<sup>5</sup> additional shares of such stock, and to hold or dispose of such stock, subject to the provisions of this title.

(g) Repealed.<sup>6</sup>

#### SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION<sup>7</sup>

SEC. 304. (a) (1) To carry out the purposes set forth in paragraph (a) of section 301, the operations of the corporation under this section shall be confined so far as practicable, to mortgages which are deemed by the corporation to be of such quality, type, and class as to meet, generally, the purchase standards imposed by private institutional mortgage investors.<sup>8</sup> In the interest of assuring sound operation, the prices to be paid by the corporation for mortgages purchased in its secondary market operations under this section, should be established, from time to time, within the range of market prices<sup>9</sup> for the particular class of mortgages involved, as determined by the corporation.

<sup>1</sup> Sec. 806(h) (1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "September 1, 1968" for "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

<sup>2</sup> Sec. 802(k) (3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538, substituted this limit for a previous limit of 5 percent of par value.

<sup>3</sup> Sec. 806(h) (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the proviso in the last sentence.

<sup>4</sup> Sec. 806(i) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, repealed subsections (d) and (e).

<sup>5</sup> Sec. 802(m), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538, inserted "to purchase additional shares of such stock."

<sup>6</sup> This subsection was part of the 1954 FNMA Charter Act. It required that, promptly after retirement of all the preferred stock, the Housing and Home Finance Administrator (later changed to Secretary of Housing and Urban Development) transmit to the President for submission to Congress recommendations for legislation to transfer to the holders of the common stock the assets and liabilities of FNMA in connection with the Secondary Market Operations "in order that such operations may thereafter be carried out by a pri-

(See following page for continuation of footnotes)



The volume of the corporation's purchases and sales, and the establishment of the purchase prices, sale prices, and charges or fees, in its secondary market operations under this section, should be determined by the corporation from time to time, and such determinations should be consistent with the objectives that such purchases and sales should be effected only at such prices and on such terms as will reasonably prevent excessive use of the corporation's facilities, and that the operations of the corporation under this section should be within its income derived from such operations and that such operations should be fully self-supporting.<sup>1</sup> Nothing<sup>2</sup> in this title shall prohibit the corporation from purchasing, and making commitments to purchase, any mortgage with respect to which the Secretary of Housing and Urban Development has entered into a contract with the corporation to make interest subsidy payments under section 243 of the National Housing Act.<sup>3</sup>

(2)<sup>4</sup> In the further interest of assuring sound operation, any loan made by the corporation in its secondary market operations under this section, and any extension or renewal thereof, shall not exceed 90 per centum<sup>5</sup> of the unpaid principal balances of the mortgages securing the loan, and shall bear interest at a rate consistent with general loan policies established from time to time by the corporation's board of directors. Any such loan shall mature in not more than twelve months and the term of any extension or renewal shall not exceed twelve months. The volume of the corporation's lending activities and the establishment of its loan ratios, interest rates, maturities, and charges or fees, in its secondary market operations under this section, should be determined by the corporation from time to time; and such determinations, in conjunction with determinations made under paragraph (1), should be consistent with the objectives that the lending activities should be conducted on such terms as will reasonably prevent excessive use of the corporation's facilities, and that the operations of the corporation under this section should be within its income derived from such operations and that such operations should be fully self-

(Footnotes continued from previous page)

vately owned and privately financed corporation." This subsection was repealed by sec. 802(n), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538.

<sup>1</sup> Sec. 802(o), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538, added "Federal National Mortgage Association" to this heading.

<sup>2</sup> Sec. 802(p), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538, deleted "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

<sup>3</sup> Sec. 203 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1096, substituted "within the range of market prices" for "at the market price".

<sup>4</sup> Sec. 204(a) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1096, added a sentence to this paragraph, restricting advance commitments under sec. 304 to those of a standby type "to facilitate advance planning of home construction". Sec. 302 of the Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 669, struck out "advance planning of home construction" and inserted in lieu thereof "home financing". The entire sentence was struck out by sec. 1007 of the Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1255.

<sup>5</sup> Sec. 504, Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 461, added this sentence.

<sup>6</sup> Sec. 806(j) of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "section 243 of the National Housing Act" for "section 502 of the Emergency Home Finance Act of 1970".

<sup>7</sup> Sec. 603(d), Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 176, added paragraph (2).

<sup>8</sup> Sec. 603(d) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 176, added paragraph (2) to sec. 304(a). Sec. 703 of Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 802, substituted "90 per centum" for "80 per centum".



supporting. Notwithstanding any Federal, State, or other law to the contrary, the corporation is hereby empowered, in connection with any loan under this section, whether before or after any default, to provide by contract with the borrower for the settlement or extinguishment, upon default, of any redemption, equitable, legal, or other right, title, or interest of the borrower in any mortgage or mortgages that constitute the security for the loan; and with respect to any such loan, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such security shall become the absolute property of the corporation.

(b) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury, to be redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations; but the aggregate amount of obligations of the corporation under this subsection outstanding at any one time shall not exceed fifteen <sup>1</sup> times the sum of its capital, capital surplus, general surplus, reserves, and undistributed earnings unless a greater ratio <sup>2</sup> shall be fixed at any time or from time to time by the Secretary of Housing and Urban Development. In no event shall any such obligations be issued if, at the time of such proposed issuance, and as a consequence thereof, the resulting aggregate amount of its outstanding obligations under this subsection would exceed the amount of the corporation's ownership pursuant to this section, free from any liens or encumbrances, of cash, mortgages or other security holdings, and obligations of the United States or guaranteed thereby, or obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.<sup>3</sup> The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

(c) The Secretary of the Treasury is authorized in his discretion to purchase any obligations issued pursuant to subsection (b) of this section, as now or hereafter in force, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the

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<sup>1</sup> Sec. 1 of Public Law 89-566, approved September 10, 1966, 80 Stat. 738, substituted "fifteen" for "ten".

<sup>2</sup> Sec. 802(q), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476 added the Secretary's authority to increase the ratio. The ratio was increased to 20-to-1 effective October 1, 1968, 33 F.R. 14779, 24 C.F.R. 81.4(a).

<sup>3</sup> Sec. 305(a) of the Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 670, struck out from sec. 304(b) "and bonds or other obligations of, or bonds or other obligations guaranteed as the principal and interest by, the United States" and inserted in lieu thereof "and obligations of the United States or guaranteed thereby, or obligations which are lawful investments for fiduciary, trust, or public funds". Sec. 603(e) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 177, added "or other security holdings" after "mortgages". Sec. 701(b)(2) of Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 800, struck out "or obligations which are lawful investments" and inserted in lieu thereof "or obligations, participations, or other instruments which are lawful investments" (see sec. 310).

Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include such purchases. The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if such purchase would increase the aggregate principal amount of his then outstanding holdings of such obligations under this subsection to an amount greater than \$2,250,000,000.<sup>1</sup> Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the making of such purchase. The Secretary of the Treasury may, at any time, sell, upon such terms and conditions and at such price or prices as he shall determine, any of the obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

(d)<sup>2</sup> To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection.

(e)<sup>3</sup> For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or

<sup>1</sup> This limitation was set by the 1954 FNMA Charter Act at \$500,000,000 plus the amount of any reductions pursuant to section 306(c) but in no event to exceed \$1,000,000,000. Sec. 1(c), Public Law 85-10, approved March 27, 1957, 71 Stat. 7, amended the limitation to be a flat \$1,350,000,000. Sec. 203 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 298, increased the limitation to \$2,250,000,000. Sec. 802(r), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538, deleted a provision in this sentence which prohibited borrowing from the Treasury after retirement of all the preferred stock.

<sup>2</sup> Subsection (d), as established by the 1954 FNMA Charter Act, prohibited FNMA, under section 304, from (1) purchasing participations and (2) issuing advance commitments except on a "one for one" basis. Section 204(b), the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 78 Stat. 1096, repealed the prohibition against advanced commitments. Section 704, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 802, repealed the remainder of the subsection. Sec. 804(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 542, added the present subsection (d).

<sup>3</sup> Sec. 805, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 543, added subsection (e).



rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations, which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b), shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION <sup>1</sup>

SEC. 305.<sup>2</sup> (a) To carry out the purposes set forth in paragraph (b) of section 301, the President, after taking into account (1) the conditions in the building industry and the national economy and (2) conditions affecting the home mortgage investment market, generally, or affecting various types or classifications of home mortgages, or both, and after determining that such action is in the public interest, may under this section authorize the Association, for such period of time and to such extent as he shall prescribe, to exercise its powers to make commitments to purchase and to purchase such types, classes, or categories of home mortgages (including participations therein) as he shall determine.

(b)<sup>3</sup> The operations of the Association under this section shall be confined, so far as practicable, to mortgages (including participations) which are deemed by the Association to be of such quality as to meet, substantially and generally, the purchase standards imposed by private institutional mortgage investors but which, at the time of submission of

<sup>1</sup> Sec. 802(t), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 538, added "Government National Mortgage Association" to this heading.

<sup>2</sup> Executive Order No. 11732 [F.R. 20429], approved July 30, 1973, delegated the functions of the President to the Secretary of Housing and Urban Development, under title III, secs. 301 and 305.

<sup>3</sup> Subsection (b) now reads as it was enacted in 1954.

Sec. 205 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1096, prescribed a minimum price of 99 for a period of 1 year from

(Footnote continued on following page)



the mortgages to the Association for purchase, are not necessarily readily acceptable to such investors. Subject to the provisions of this section, the prices to be paid by the Association for mortgages purchased in its operations under this section shall be established from time to time by the Association. The Association shall impose charges or fees for its services under this section with the objective that all costs and expenses of its operations under this section should be within its income derived from such operations and that such operations should be fully self-supporting.

(c) The total amount of purchases and commitments authorized by the President pursuant to subsection (a) of this section shall not exceed \$1,700,000,000 outstanding at any one time, which limit shall be increased by \$100,000,000 on the date of the enactment of the Housing and Urban Development Act of 1965, by \$550,000,000 on July 1, 1967, by \$525,000,000 on July 1, 1968, by \$2,000,000,000 on July 1, 1969, and subject to approval in an appropriation Act, by \$500,000,000 on October 1, 1978.<sup>1</sup>

(d) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section, such obligations to mature not more than five years from their respective dates of issue, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized to purchase any obligations of the Association to be issued under this section, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may

(Footnote continued from previous page)

August 7, 1956. Sec. 204(a) of Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 298, prescribed a minimum price of par for the period ending August 7, 1958. Sec. 204(b) of the Housing Act of 1957, Public Law 85-104, 71 Stat. 299, limited charges and fees to a maximum of 1½ per centum and specified that not more than one-half of the charges or fees imposed with respect to any mortgage could be collected at the time of FNMA's commitment to purchase. Sec. 303(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 669, restored to sec. 305(b) to the language originally provided in the 1954 FNMA Charter Act.

<sup>1</sup> Sec. 205 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 299, increased the general authorization from \$200,000,000 to \$450,000,000, and eliminated a \$100,000,000 authorization for immediate participations in mortgages and a related unspecific authorization for deferred participations. Sec. 2, Public Law 85-364, approved April 1, 1958, 72 Stat. 73, substituted "\$950,000,000" for "\$450,000,000". Sec. 601(a) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 175, substituted "\$1,700,000,000" for "\$950,000,000". Sec. 801(a) of Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 493, added the provisions for increases in the limit of \$100,000,000 on August 10, 1965, \$450,000,000 on July 1, 1966, \$550,000,000 on July 1, 1967, and \$525,000,000 on July 1, 1968. Sec. 3(a) of Public Law 89-429, approved May 24, 1966, 80 Stat. 164, 166, repealed the addition of \$450,000,000 on July 1, 1966. Sec. 806, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 544, added the increase for July 1, 1969, of \$500,000,000. Sec. 401(a), Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 458, substituted "\$2,000,000,000 on July 1, 1969" for "\$500,000,000 on July 1, 1969". The phrase "and subject to approval in an Appropriation Act, by \$500,000,000 on October 1, 1978" by Sec. 318(b) Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchases of the Association's obligations hereunder.

(e)<sup>1</sup> Notwithstanding any other provision of this Act, the Association is authorized to enter into advance commitment contracts and purchase transactions which do not exceed \$200,000,000 outstanding at any one time, if such commitments or transactions relate to mortgages with respect to which the Secretary of Housing and Urban Development shall have issued pursuant to section 213 either a commitment to insure or a statement of eligibility; but such commitments in any one State shall not exceed \$20,000,000 outstanding at any one time: *Provided*, That (1) of the total amount of advance commitment contracts and purchase transactions authorized by this subsection, the amount of \$50,000,000 shall be available solely for commitments or purchases of mortgages where the management or sales-type cooperative involved is certified by the Secretary of Housing and Urban Development as a consumer cooperative, and (2) of the commitments in any one State, not more than \$15,000,000 shall be outstanding at any one time for mortgages with respect to cooperative projects which are not of the type described in clause (1) of this proviso.<sup>2</sup> On<sup>3</sup> and after the date of enactment of the Housing Act of 1959, the Association is authorized to enter into advance commitment contracts and purchase transactions (in addition to those authorized by the preceding sentence) relating to mortgages with respect to which the Secretary of Housing and Urban Development shall have issued pursuant to section 213 a commitment to insure or a statement of eligibility, without regard to any of the limitations contained in the preceding sentence; except that the total amount of the additional advance commitment contracts and purchase transactions authorized by this sentence which may be outstanding at any one time shall not exceed \$25,000,000, of which the amount of \$12,500,000 shall be available solely for commitments or purchases of mortgages where the management or sales-type cooperative involved is certified by the Secretary of Housing and Urban Development as a consumer cooperative and the amount of \$12,500,000 shall be available solely for commitments or purchases of mortgages where the cooperative involved is a builder-sponsor coopera-

<sup>1</sup>Sec. 103 of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 635, 636, added sec. 305(e). Sec. 207 of the Housing Act of 1956, of Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1097, amended the original language, relating the total authorization in the first sentence not only to commitments but also to purchases, and making the State authorization revolve. Sec. 2 of Public Law 85-10, approved March 27, 1957, 71 Stat. 7, increased the total authorization in the first sentence from \$50,000,000 to \$100,000,000 and raised the State authorization from \$5,000,000 to \$10,000,000. Sec. 206 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 299, amended sec. 305(e) to read as set forth in the text of the first sentence thereof above. Sec. 304 of Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 669, added the second sentence. Sec. 109(b) of Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 777, added the third sentence of sec. 305(e).

<sup>2</sup>Sec. 103 of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved August 11, 1955, 69 Stat. 636, added subsection (e), which then provided for commitments not to exceed \$50,000,000 outstanding at any one time and limited the authorization for any State to \$5,000,000. Sec. 207 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. amended the total authority to include purchase transactions and amended the State authority to make it revolve. Sec. 2, Public Law 85-10, approved March 27, 1957, 71 Stat. 7, increased the total authorization to \$100,000,000 and the State authorization to \$10,000,000. Sec. 206 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 299, increased the authorization to \$200,000,000 and \$20,000,000, and added the proviso.

<sup>3</sup>Sec. 304, of Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 669, added this sentence.



tive. Without<sup>1</sup> regard to any of the limitations of this subsection except the total amount of authorizations available, the Association is authorized to enter into advance commitment contracts and purchase transactions on supplementary cooperative loans with respect to which the Secretary of Housing and Urban Development shall have issued, pursuant to section 213(j), either a commitment to insure or a statement of eligibility; but such commitments and purchases shall be made solely where there is a management-type cooperative involved which is certified by the Secretary of Housing and Urban Development as a consumer cooperative.

(f)<sup>2</sup> Notwithstanding any other provision of this Act, the Association is authorized to make commitments to purchase and to purchase, service, or sell, any mortgage (or participation therein) which is insured under title VIII of this Act, as amended on or after August 11, 1955: *Provided*, That the total amount of purchases and commitments authorized by this subsection shall not exceed \$500,000,000<sup>3</sup> outstanding at any one time: *Provided further*,<sup>4</sup> That of the amount authorized in the preceding proviso not less than \$58,750,000<sup>5</sup> shall be available for such purchases and commitments with respect to mortgages insured under section 809: *Provided further*,<sup>6</sup> That any portion of the total amount of authority set forth in the first proviso of this subsection, which (1) is not required under the second proviso of this subsection to be kept available for purchases and commitments with respect to mortgages insured under section 809, and (2), on the date of enactment of the Housing and Urban Development Act of 1965 and on each July 1 thereafter, would otherwise be available for making new purchases and commitments pursuant to this subsection, shall be transferred to and merged with the authority granted by subsection (a) and added to the amount of such authority which is available, as of the date of the transfer, for purchases and commitments under subsection (c); and the total amount of authority as set forth in the first proviso of this subsection shall progressively be reduced by the amount of each such transfer.

(g)<sup>7</sup> With a view to further carrying out the purposes set forth in section 301(b), and notwithstanding any other provision of this Act, the Association is authorized to make commitments to purchase and to purchase service, or sell any mortgages which are insured under title II of this Act or guaranteed under chapter 37 of title 38, United States Code, if the original principal obligation of any such mortgage does not exceed the dollar limitation on maximum principal obligation that would be applicable to such mortgage if insured under section

<sup>1</sup> Sec. 109(b) of Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 777, added this sentence.

<sup>2</sup> Sec. 402, of the Housing Amendments of 1955, Public Law 345, 84th Congress, approved Aug. 11, 1955, 69 Stat. 651, added subsection (f).

<sup>3</sup> Sec. 207 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 299, increased this limit from \$200 million to \$450 million, and sec. 3, Public Law 85-364, approved April 1, 1958, 72 Stat. 73, increased the limit to \$500 million.

<sup>4</sup> Sec. 207 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 299, added this proviso.

<sup>5</sup> Sec. 3, Public Law 85-364, approved April 1, 1958, 72 Stat. 73, substituted "\$58,750,000" for "7.5 per centum".

<sup>6</sup> Sec. 801(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 493, added this proviso. The total dollar amount transferred to subsection (c) through July 1, 1968, is \$319,657,965.

<sup>7</sup> Sec. 305(g) was added by sec. 4 of Public Law 85-364, approved April 1, 1958, 72 Stat. 73, 74, and authorized \$1,000,000,000 in purchases and commitments outstanding at any one time for FHA title II and VA mortgages on newly constructed properties, limited to

(Continued)



235(i) of the National Housing Act. The total amount of such purchases and commitments made after August 1, 1966, shall not exceed \$1,750,000,000 outstanding at any one time, and no such commitment shall be made unless the applicant therefor certifies that construction of housing to be covered by the mortgage has not commenced. For the purposes of this subsection, \$500,000,000 of the authority hereinabove provided shall be transferred from the amount of outstanding authority specified in subsection (c), and the amount of outstanding authority so specified shall be reduced by the amount so transferred.

(h)<sup>1</sup> Notwithstanding clause (2) of section 302(b) and any provision of this Act which is inconsistent with this subsection, the Association is authorized (subject to Presidential action as provided in subsection (a), as limited by subsection (c)) to purchase pursuant to commitments or otherwise, and to service, sell, or otherwise deal in, mortgages insured under the provisions of sections 221(d)(3) and 221(h) of this Act.

(i)<sup>2</sup> In any case where the Association makes a commitment to purchase under this section (1) a mortgage insured under section 213, (2) a mortgage insured under section 220, or (3) a mortgage insured under section 221(d)(3) and executed by a cooperative (including an investor-sponsor), a limited dividend corporation, a private non-profit corporation or association, or a mortgagor qualified under section 221(e), or (4)<sup>3</sup> a mortgage insured under section 236, such commitment may provide for participation by the Association in the making of insured advances on the mortgage during construction. Such participation shall be limited to 95 per centum of the amount of each of the advances involved, and the mortgagee providing the balance of such amount shall perform all necessary servicing and processing of such advances until the final insurance endorsement of the mortgage. The Secretary of Housing and Urban Development shall approve the reasonableness of the fee to be paid a participating mortgagee, taking into account its services and the extent of its participation in the advances.

(j)<sup>4</sup> Notwithstanding any other provision of this Act, the Association is authorized to purchase pursuant to commitments or otherwise mortgages otherwise eligible for purchase under this section at a price

(Continued)

mortgages with original principal obligations of not more than \$13,500 each. Sec. 601(b) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 176, terminated the purchasing and commitment authority, and transferred to sec. 305(c) the dollar amount of such authority then available, which was \$207,188,642.07. Sec. 3 of Public Law 89-566, approved September 10, 1966, 80 Stat. 738, revised sec. 305(g) and sec. 2 of the Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, further amended sec. 305(g) to (1) increase the special assistance authority from \$1,000,000,000 to \$2,500,000,000; (2) increase the individual mortgage limits by \$2,500; and to require that mortgage purchases be made at par. Section 305(g) was further amended by sec. 401(b) of the Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 458 which (1) transferred to sec. 305(c) \$750,000,000 of the \$2.5 billion special assistance authority authorized in the Housing and Urban Development Act of 1969, (2) removed the requirement that mortgages purchased under subsection (g) must be purchased at par, and (3) authorized higher (sec. 235) dollar ceilings on the principal obligation of mortgages purchased.

<sup>1</sup> Sec. 101(c) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 153, added sec. 305(h). Sec. 310(d) of Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1270, substituted "sections 221(d)(3) and 221(h)" for "section 221(d)(3)" before the last three words of this paragraph.

<sup>2</sup> Sec. 1005 of Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1285, added sec. 305(i).

<sup>3</sup> Sec. 201(g), Housing and Urban Development Act of 1968, Public Law 90-488, approved August 1, 1968, 82 Stat. 476, 503, inserted clause (4).

<sup>4</sup> Sec. 115, Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 385, added subsection (j).

equal to the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items, and to sell such mortgages at any time at a price within the range of market prices for the particular class of mortgages involved at the time of sale as determined by the Association. Mortgages insured under title V of the Housing Act of 1949, except mortgages for above moderate income families insured under section 517(a) of such Act, are eligible for purchase under this section.

MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION <sup>1</sup>

SEC. 306. (a) To carry out the purposes set forth in paragraph (c) of section 301, the Association is authorized and directed, as of the close of the cutoff date <sup>2</sup> determined by the Association pursuant to section 303(d) of this title, to establish separate accountability for all of its assets and liabilities (exclusive of capital, surplus, surplus reserves, and undistributed earnings to be evidenced by preferred stock as provided in section 303(d) hereof, but inclusive of all rights and obligations under any outstanding contracts), and to maintain such separate accountability for the management and orderly liquidation of such assets and liabilities as provided in this section.<sup>3</sup>

(b) For the purposes of this section and to assure that, to the maximum extent, and as rapidly as possible, private financing will be substituted for Treasury borrowings otherwise required to carry mortgages held under the aforesaid separate accountability, the Association is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association with the approval of the Secretary of the Treasury, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations; but in no event shall any such obligations be issued if, at the time of such proposed issuance, and as a consequence thereof, the resulting aggregate amount of its outstanding obligations under this subsection would exceed the amount of the Association's ownership under the aforesaid separate accountability, free from any liens or encumbrances, of cash, mortgages, and <sup>4</sup> obligations of the United States or guaranteed thereby, or obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds. The proceeds of any private financing effected under this subsection shall be paid to the Secretary of the Treasury in reduction of the indebtedness of the Association to the Secretary of the Treasury under the aforesaid separate accountability. The Asso-

<sup>1</sup> Sec. 802(u), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968. 82 Stat. 476, 539, added "Government National Mortgage Association" to this heading.

<sup>2</sup> October 31, 1954.

<sup>3</sup> The aggregate amount placed under separate accountability as of the close of the cutoff date (October 31, 1954) was \$3,012,905,653.

<sup>4</sup> Sec. 305(a) of Housing Act of 1959, Public Law 86-372, approved September 23, 1959. 73 Stat. 654, 670, struck out from sec. 306(b) "and bonds or other obligations of, or bonds or other obligations guaranteed as to principal and interest by, the United States" and inserted in lieu thereof "and obligations of the United States or guaranteed thereby, or obligations which are lawful investments for fiduciary, trust, or public funds." Sec. 701(b)(2) of Housing Act of 1964, Public Law 88-560, approved September 2, 1964. 78 Stat. 769, 800, struck out "or obligations which are lawful investments" and inserted in lieu thereof "or obligations, participations, or other instruments which are lawful investments" (see sec. 310).



ciation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the Association. The Association is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

(c) No mortgage shall be purchased by the Association in its operations under this section except pursuant to and in accordance with the terms of a contract or commitment to purchase the same made prior to the cutoff date<sup>1</sup> provided for in section 303(d), which contract or commitment became a part of the aforesaid separate accountability, and the total amount of mortgages and commitments held by the Association under this section shall not, in any event, exceed \$3,350,000,000: *Provided*, That such maximum amount shall be progressively reduced by the amount of cash realizations on account of principal of mortgages held under the aforesaid separate accountability and by cancellation of any commitments to purchase mortgages thereunder, as reflected by the books of the Association, with the objective that the entire aforesaid maximum amount shall be eliminated with the orderly liquidation of all mortgages held under the aforesaid separate accountability: *And provided further*, That nothing in this subsection shall preclude the Association from granting such usual and customary increases in the amounts of outstanding commitments (resulting from increased costs or otherwise) as have theretofore been covered by like increases in commitments granted by the agencies of the Federal Government insuring or guaranteeing the mortgages. There shall be excluded from the total amounts set forth in this subsection<sup>2</sup> the amounts of any mortgages which, subsequent to May 31, 1954, are transferred by law to the Association and held under the aforesaid separate accountability.<sup>3</sup>

(d) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section, such obligations to mature not more than five years from their respective dates of issue, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized to purchase any obligations of the Association to be issued under this section, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the

<sup>1</sup> October 31, 1954.

<sup>2</sup> Sec. 209(a) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1097, deleted a reference to sec. 306(e).

<sup>3</sup> Reorganization Plan No. 2 of 1954, 68 Stat. 1280 (effective July 1, 1954) transferred to FNMA the mortgages held by the Reconstruction Finance Corporation which were made or acquired under the authority of the RFC Mortgage Company and the Defense Homes Corporation, representing an investment of \$91,768,173.



Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchases of the Association's obligations hereunder.

(e)<sup>1</sup> Notwithstanding any other provision of law, the Association is authorized, under the aforesaid separate accountability, to make commitments to purchase, and to purchase, service, or sell any obligations offered to it by the Secretary of Housing and Urban Development, or any mortgages covering residential property offered to it by any Federal instrumentality, or the head thereof. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any obligations or mortgages purchased by the Association pursuant to this subsection.

(f)<sup>2</sup> Notwithstanding any of the provisions of this Act or of any other law, an amount equal to the net decrease for the preceding fiscal year in the aggregate principal amount of all mortgages owned by the Association under this section shall, as of July 1 of each of the years 1961 through 1964, be transferred to and merged with the authority provided under section 305(a), and the amount of such authority as specified in section 305(c) shall be increased by any amounts so transferred.

(g)<sup>3</sup> The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding.

<sup>1</sup> Sec. 209(b) of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1097, repealed the original sec. 306(e). Sec. 306(a) of Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 670, added a new sec. 306(e) that authorized FNMA to purchase any mortgages offered to it by the HHFA or its constituents. Sec. 302(b) of Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 494, amended sec. 306(e) to read as set forth above.

Sec. 306(b), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 670 provided that:

"In connection with the sale of any mortgages to the Federal National Mortgage Association pursuant to section 306(e) of the Federal National Mortgage Association Charter Act, the Housing and Home Finance Administrator is authorized, and any other official, unit, or agency selling such mortgages thereunder is directed, to transfer to the Association from time to time, from authorizations, limitations, and funds available for administrative expenses of such official, unit, or agency in connection with the same mortgages, such amounts thereof as said Administrator determines to be required for administrative expenses of the Association in connection with the purchase, servicing, and sale of such mortgages: *Provided*, That no such transfer shall be made after a budget estimate of the Association with respect to the same mortgages has been submitted to and finally acted upon by the Congress."

<sup>2</sup> Sec. 601(c) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 70 Stat. 149, 176, added sec. 306(f).

The total dollar amount transferred to section 305(c) under this subsection was \$603,079,804.

<sup>3</sup> Sec. 804(b), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 542, added subsection (g).

ing, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection.

#### SEPARATE ACCOUNTABILITY

SEC. 307.<sup>1</sup> All of the benefits and burdens incident to the administration of the functions and operations of the Association under sections 305 and 306, respectively, of this title, after allowance for related obligations of the Association, its prorated expenses, and the like, including amounts required for the establishment of such reserves as the Secretary of Housing and Urban Development<sup>2</sup> shall deem appropriate, shall inure solely to the Secretary of the Treasury, and such related earnings or other amounts as become available shall be paid annually by the Association to the Secretary of the Treasury for covering into miscellaneous receipts.

#### MANAGEMENT<sup>3</sup>

SEC. 308. (a)<sup>4</sup> All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary. Within the limitations of law, the Secretary shall determine the general policies which shall govern the operations of the Association, and shall have power to adopt, amend and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law.

There<sup>5</sup> is hereby established in the Department of Housing and Urban Development the position of President, Government Na-

<sup>1</sup> Sec. 802(v), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 539, deleted subsections (a) and (b) of sec. 307. Subsection (a) provided for separate accountability for the secondary market operations, special assistance functions, and management and liquidating functions of FNMA. Subsection (b) provided that no recourse could be had to FNMA's capitalization with respect to the last two functions.

<sup>2</sup> Sec. 802(w), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 539, substituted "Secretary of Housing and Urban Development" for "board of directors of the Association".

<sup>3</sup> Sec. 802(x), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 539, substituted "Management" for "Board of Directors".

<sup>4</sup> Sec. 802(y), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 539, amended subsection (a) to eliminate the Board of Directors of the "old" FNMA, and to provide for management of GNMA under the direction of the Secretary of HUD.

<sup>5</sup> Sec. 17(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 308(a) of the National Housing Act to read as set forth in the text.



tional Mortgage Association, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary shall select and effect the appointment of qualified persons to fill the offices of vice president, and such other offices as may be provided for in the bylaws. Persons appointed under the preceding sentence shall perform such executive functions, powers, and duties as may be prescribed by the bylaws or by the Secretary, and such persons shall be executive officers of the Association and shall discharge all such executive functions, powers, and duties.

(b)<sup>1</sup> The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services.

#### GENERAL POWERS

SEC. 309. (a)<sup>2</sup> Each of the bodies corporate named in section 302(a) (2) shall have power to adopt, alter, and use a corporate seal, which shall be judicially noted; to enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, Territory, or possession, or the Commonwealth of Puerto Rico, or with any political subdivision thereof, or with any person, firm, association, or corporation; to execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its power; in its corporate name, to sue and to be

<sup>1</sup> Sec. 802(y)(7), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 539, added subsection (b).

The provisions of subsection (b) are applicable only to the extent they do not conflict with sec. 810(b), Housing and Urban Development Act of 1968. See "Excerpts from Housing and Urban Development Act of 1968".

<sup>2</sup> Sec. 802(z), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 540, amended this subsection (a) to make it applicable to both FNMA and GNMA.



sued, and to complain and to defend, in any court of competent jurisdiction, State or Federal, but no attachment, injunction, or other similar process, mesne or final, shall be issued against the property of the Association or against the Association with respect to its property; to conduct its business without regard to any qualification or similar statute in any State of the United States, including the District of Columbia, the Commonwealth of Puerto Rico, and the Territories and possessions of the United States; to lease, purchase, or acquire any property, real, personal, or mixed, or any interest therein, to hold, rent, maintain, modernize, renovate, improve, use, and operate such property, and to sell, for cash or credit, lease, or otherwise dispose of the same, at such time and in such manner as and to the extent that the Association may deem necessary or appropriate; to prescribe, repeal, and amend or modify, rules, regulations, or requirements governing the manner in which its general business may be conducted; to accept gifts or donations of services, or of property, real, personal, or mixed, tangible, or intangible, in aid of any of its purposes; and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

(b) Except as may be otherwise provided in this title, in the Government Corporation Control Act,<sup>1</sup> or in other laws specifically applicable to Government corporations, the Association shall determine the necessity for and the character and amount of its obligations and expenditures and the manner in which they shall be incurred, allowed, paid, and accounted for.

(c) (1) The Association, including its franchise, capital, reserves, surplus, mortgages or other security holdings,<sup>2</sup> and income shall be exempt from all taxation now or hereafter imposed by the United States,<sup>3</sup> by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(2)<sup>4</sup> The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality,

<sup>1</sup> Public Law 248, 79th Congress, approved December 6, 1945, 59 Stat. 597 (31 U.S.C. 841 et seq.).

<sup>2</sup> Sec. 603(e) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 177, inserted "or other security holdings" after "mortgages".

<sup>3</sup> Sec. 901(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1807, reads as follows:

"(b) In accordance with the provisions of section 309(c) of the National Housing Act as it existed prior to September 1, 1968, the Federal National Mortgage Association shall pay to the Secretary of the Treasury the remaining income tax equivalent of \$16,479,604, plus interest (1) on \$2,977,442 at the rate of 6 per centum from September 16, 1967, until the date of payment; (2) on \$13,442,424 at the rate of 6 per centum from September 16, 1968, until the date of payment; and (3) on \$59,738 at 6 per centum from November 16, 1968, until the date of payment."

Sec. 901(c), Housing and Urban Development Act of 1970, provides that the receipt by the Secretary of the Treasury of the amounts required to be paid by sec. 901(b), Housing and Urban Development Act of 1970, supra (and of another amount required to be paid by sec. 901(a), Housing and Urban Development Act of 1970 (see sec. 303(a), National Housing Act) "shall constitute a full and final settlement of all matters affected by such subsections." Sec. 901(c) would also make the United States a defendant in any suit against officers, directors, employees, and agents of FNMA because of such payments.

<sup>4</sup> Sec. 802(aa), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 540, deleted a provision under which the "old" FNMA paid annually a Federal income tax equivalent, and added paragraph (2).

or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed.

(d)(1)<sup>1</sup> Subject to the provisions of section 308(a), the <sup>2</sup> Secretary of Housing and Urban Development shall have power to select and appoint or employ such officers, attorneys, employees, and agents of the Association, to vest them with such powers and duties, and to fix and to cause the Association to pay such compensation to them for their services, as he may determine, subject to the civil service and classification laws. Bonds may be required for the faithful performance of their duties, and the Association may pay the premiums therefor. With the consent of any Government corporation or Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, the Association may avail itself on a reimbursable basis of the use of information, services, facilities, officers, and employees thereof, including any field service thereof, in carrying out the provisions of this title.

(2)<sup>3</sup> The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to January 31, 1972<sup>4</sup> and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay

<sup>1</sup> Sec. 802(bb)(1)-(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 540, substituted the Secretary of HUD for the Chairman of the Board, and made paragraph (1) applicable only to GNMA.

<sup>2</sup> Sec. 17(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 309(d) [sic] of the National Housing Act by striking "The" immediately preceding "Secretary" and inserting in lieu thereof "Subject to the provisions of section 308(a), the".

<sup>3</sup> Sec. 802(bb)(4), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 540, added paragraph (2).

<sup>4</sup> Sec. 806(k)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "January 31, 1972" for "the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968".



into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for positions listed<sup>1</sup> in section 5312 of title 5, United States Code, on the last day of such year: *Provided*, That with respect to any person whose employment is made subject to the civil service retirement law by section 806 of the Housing and Community Development Act of 1974, there shall not be considered for the purposes of such law that portion of his basic pay in any one year which exceeds the basic pay provided for positions listed in section 5316 of such title 5 on the last day of such year;<sup>2</sup> except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code.

(e)<sup>3</sup> No individual, association, partnership, or corporation, except the bodies corporate named in section 302(a)(2) of this title, shall hereafter use the words "Federal National Mortgage Association", "Government National Mortgage Association" or any combination of such words, as the name or a part thereof under which he or it shall do business. Violations<sup>4</sup> of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding \$100 for each day during which such violation is committed or repeated.

(f) In order that the Association may be supplied with such forms of obligations or certificates as it may need for issuance under this title, the Secretary of the Treasury is authorized, upon request of the Association, to prepare such forms as shall be suitable and approved by the Association, to be held in the Treasury subject to delivery, upon order of the Association. The engraved plates, dies, bed-pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such forms.

(g)<sup>5</sup> The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner

<sup>1</sup> Sec. 806(k)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "positions listed" immediately before "in section 5312".

<sup>2</sup> Sec. 806(k)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this proviso.

<sup>3</sup> Sec. 802(cc)(1)-(2), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 541, amended this sentence to make it apply to both FNMA and GNMA.

<sup>4</sup> Sec. 802(cc)(3), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 541, substituted these civil remedies for previous criminal penalties for violations.

<sup>5</sup> Sec. 802(dd), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 541, amended subsection (g) to make it applicable to both FNMA and GNMA.



as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others.

(h)<sup>1</sup> The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable. Pursuant to the authority provided in this subsection, the Secretary shall conduct a review of the financial operations of the corporation and undertake a study of the extent to which the activities of the corporation meet the purposes of this title. Such review and study shall be completed and transmitted to the Congress on or before July 1, 1978.<sup>2</sup>

#### INVESTMENT OF FUNDS

SEC. 310.<sup>3</sup> Moneys of the Association not invested in mortgages or other security holdings or in operating facilities shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations or other instruments which are lawful investments for fiduciary, trust, or public funds.

#### OBLIGATIONS OF ASSOCIATION LEGAL INVESTMENTS

SEC. 311. All obligations, participations,<sup>4</sup> or other instruments issued by either of the bodies corporate<sup>5</sup> named in section 302(a)(2) shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof. All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed

<sup>1</sup> Sec. 802(ee), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 541, added subsection (h).

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 309(h) to read as set forth in the text.

<sup>3</sup> Sec. 305(b) of Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 670, amended sec. 310 by striking out "in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States" and inserted in lieu thereof "in obligations of the United States or guaranteed thereby, or in obligations which are lawful investments for fiduciary, trust, or public funds". Sec. 603(e) of Housing Act of 1961, Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 177, inserted "or other security holdings" after "mortgages". Sec. 701(b)(3) of Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 800, struck out "or in obligations which are lawful investments" and inserted in lieu thereof "or in obligations, participations, or other instruments which are lawful investments".

<sup>4</sup> Sec. 701(b)(1) of Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 800, amended sec. 311 by inserting ", participations, or other instruments" after "obligations".

<sup>5</sup> Sec. 802(ff), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 541, made the first sentence of sec. 311 applicable to both FNMA and GNMA, and added the second sentence.

to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development.

#### SHORT TITLE

SEC. 312. This title III may be referred to as the "Federal National Mortgage Association Charter Act".

#### INTERIM AUTHORITY TO PURCHASE CERTAIN MORTGAGES

SEC. 313. (a) (1) Whenever the Secretary finds inflationary conditions and related governmental actions or other economic conditions<sup>1</sup> are having a severely disproportionate effect on the housing industry and the resulting reduction in the volume of home construction or acquisition threatens seriously to affect the economy and to delay the orderly achievement of the national housing goals contained in title XVI of the Housing and Urban Development Act of 1968, the Secretary shall direct the Association to begin making commitments to purchase and to purchase mortgages in accordance with the provisions of this section. To the extent feasible and consistent with the primary purpose of this section to stabilize housing production, the Secretary may direct the exercise of the authority conferred by this section to promote homeownership opportunities for moderate-income families.<sup>2</sup>

(2) The Secretary may direct the Association to terminate its activities under this section whenever he determines that the conditions which gave rise to his determination under paragraph (1) are no longer present.

(3)<sup>3</sup> In carrying out the authority conferred by this section, the Secretary may require the Association to utilize a part of the authority to purchase mortgages under this section for the purchase of mortgages executed to finance the rehabilitation or acquisition and rehabilitation of housing in older or declining neighborhoods to the extent such action is feasible and consistent with the primary purpose of this section, and for the purpose of this paragraph, the Secretary is authorized to prescribe such regulations as may be appropriate.

(b) Whenever the Secretary issues a directive under subsection (a) (1), the Association shall make commitments to purchase and purchase, and may service, sell (with or without recourse), or otherwise deal in, mortgages (1) which cover more than four-family residences (including cooperatives and condominiums and the individual units therein) and which are insured under the National Housing Act and chapter 37 of title 38 of the United States Code, or (2) which cover one- to four-family residences and which are insured under the National Housing Act or guaranteed under chapter 37 of title 38 of the United States Code or by qualified private insurers as determined by the Association or the outstanding principal balances of which do not exceed 80 per centum of the value of the property securing the mortgages. A mortgage may be purchased under this section only if—

<sup>1</sup> Sec. 201 of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, added the words "or other economic conditions".

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added this sentence.

<sup>3</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 313(a) of the National Housing Act by adding at the end thereof subparagraph (3).



(A) such mortgage was executed to finance the acquisition of a one-to four-family residence which will be the principal resident of the mortgagor or to finance the purchase of a more than four-family residence and is subject to a mortgage insured under the National Housing Act;

(B) such mortgage involves an original principal obligation not to exceed \$42,000 (\$49,000 in the case of any property with respect to which assistance payments pursuant to section 8 of the United States Housing Act of 1937 are being or will be made and which is located in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require<sup>1</sup> per family residence or dwelling unit, and except that the original principal obligation may not exceed \$55,000 in the case of properties in Alaska, Hawaii, and Guam;

(C)<sup>2</sup> such mortgage involves an interest rate not in excess of that which the Secretary may prescribe, taking into account the cost of funds and administrative costs under this section, but in no event shall such rate exceed the lesser of (i) 7½ per centum per annum, or (ii) the rate set by the Secretary applicable to mortgages insured under section 203(b) of the National Housing Act, and no State or local usury law or comparable law establishing interest rates or prohibiting or limiting the collection or amount of discount points or other charges in connection with mortgage transactions or any State law prohibiting the coverage of mortgage insurance required by the Association shall apply to transactions under this section; and

(D)<sup>3</sup> such mortgage involves a principal residence the sales price of which does not exceed \$48,000 (\$52,000 in high-cost areas as determined by the Secretary and \$55,000 in the case of any property with respect to which assistance payments pursuant to section 8 of the United States Housing Act of 1937 are being or will be made and which is located in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require) per family residence or dwelling unit, except that such sales price in Alaska, Hawaii, and Guam may not exceed \$65,000.

(c) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 313(b)(B) by inserting after "\$42,000" the following: "(\$49,000 in the case of any property with respect to which assistance payments pursuant to section 8 of the United States Housing Act of 1937 are being or will be made and which is located in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require)".

<sup>2</sup> Sec. 202 of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, amended paragraph "(C)".

<sup>3</sup> Sec. 13(e)(1) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976 90 Stat. 1067, amended section 313(b) of the National Housing Act by striking the period at the end thereof and inserting in lieu thereof "; and" and adding a new paragraph "(D)". Paragraph (2) of section 13(e) also provides that (D) "shall apply only with respect to mortgages purchased pursuant to commitments made after the date of the enactment of this Act"; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 313(b)(D) by inserting after "Secretary" the following: "and \$55,000 in the case of any property with respect to which assistance payments pursuant to section 8 of the United States Housing Act of 1937 are being or will be made and which is located in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require".



yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Association's obligations hereunder.

(d) (1) The Association is authorized to guarantee securities based on pools or trusts of the mortgages eligible for purchase<sup>1</sup> by the Association under this section as provided in section 306(g) of this Act with respect to federally insured or guaranteed mortgages and to act as issuer of such guaranteed securities. Such securities shall bear interest at a rate equal to the rate on the underlying mortgages less an allowance for servicing and other expenses as approved by the Association.<sup>2</sup> The Association shall possess with respect to securities under this section all the powers it possesses with respect to securities guaranteed under such section 306(g), and the provisions of such section shall apply to guarantees under this section, except that such section shall not be deemed to prohibit the Secretary from guaranteeing payment of only a part of the principal and interest on securities issued under the provisions of this section.

(2) The Association may offer and sell any mortgages purchased or securities guaranteed under this section to the Federal Financing Bank, and such Bank is authorized and directed to purchase any such mortgages or securities offered by the Association.<sup>3</sup> The Association may also offer and sell any securities guaranteed under this subsection to any Federal Reserve bank. The proceeds from the sale of such securities when issued by the Association shall be treated in the accounts in the same manner as if such proceeds were from the sale of the underlying mortgages.

(e) The Secretary may make available a portion of his authority under this section to purchase mortgages covering housing which has been constructed more than twelve months prior to enactment of this section in areas where he determines that there is a serious shortage of mortgage credit to purchase such housing.

(f) The Association is authorized to—

(1) sell mortgages purchased under this section of prices which it determines will help promote the objective of assuring that operations under this section are, to the extent feasible, fully self-supporting;

(2) pay for services performed in carrying out its functions under this section without regard to any limitation on administrative expenses heretofore enacted.

<sup>1</sup> Sec. 203(1) of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, substituted the words "eligible for purchase" for "purchased".

<sup>2</sup> Sec. 203(2) of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, added the second sentence of this paragraph.

<sup>3</sup> Sec. 204 of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, amended the first sentence of this paragraph. Prior to amendment this sentence read as follows: "The Association may offer and sell any securities guaranteed under this subsection to the Federal Financing Bank, and such Bank is authorized to purchase any securities so offered."

(g) The total amount of purchases and commitments authorized by the Secretary to be made pursuant to this section shall not exceed \$7,750,000,000 outstanding at any one time. Such total amount shall be increased on or after the date of enactment of the Emergency Housing Act of 1975, by such amount as is approved in an appropriation Act, but not to exceed \$10,000,000,000, and the Association shall not issue obligations pursuant to this section utilizing authority which is conferred by this sentence or which is conferred by the first sentence of this subsection but uncommitted on October 18, 1975, except as approved in appropriation Acts.<sup>1</sup> The Association's purchases and commitments under this section during fiscal year 1978 may not exceed \$7,500,000,000.<sup>2</sup>

(h)<sup>3</sup> Notwithstanding the provisions of subsection (b), the Association may make commitments to purchase and purchase, and may service, sell (with or without recourse), or otherwise deal in, a mortgage which covers more than four-family residences (including residences in a cooperative or condominium), or a single-family unit in a condominium, and which is not insured under the National Housing Act or guaranteed under chapter 37 of title 38, United States Code, if—

(1) in the case of a project mortgage, the principal obligation of the mortgage does not exceed, for that part of the property attributable to dwelling use, the lesser of (A) the per unit amount specified in subsection (b)(B), or (B) the per unit limitations specified in section 207 of this Act in the case of a rental project or section 213 of this Act in a case of a cooperative project, or section 234 in the case of a condominium project;

(2) in the case of a mortgage covering a housing project, the outstanding principal balance of the mortgage does not exceed 75 per centum of the value of the property securing such mortgage or is insured by a qualified private insurer or public benefit corporation created by the State which acts as an insurer as determined by the Association;

(3) in the case of a mortgage covering an individual condominium unit, the mortgage is insured by a qualified private insurer or public benefit corporation created by the State which acts as an insurer as determined by the Association or has an outstanding principal balance which does not exceed 80 per centum of the value of the property securing the mortgage;

(4) the mortgage is not being used to finance the conversion of an existing rental housing project into a condominium project or to finance the purchase of an individual unit in a condominium project in connection with the conversion of such project from rental to condominium form of ownership; and

(5) the mortgage meets the requirements of subsection (b) except as modified by this subsection and any additional requirements the Secretary may prescribe to protect the interest of the United States or to protect consumers.

<sup>1</sup> Sec. 204 of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, added this sentence of this paragraph.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 313(g) by adding the last sentence of this paragraph.

<sup>3</sup> Sec. 204 of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, amended section 313 by adding a new subsection "(h)".



## PURCHASE OF ENERGY CONSERVING IMPROVEMENT LOANS TO LOW- AND MODERATE-INCOME FAMILIES

SEC. 314.<sup>1</sup> (a) As soon as practicable after the date of enactment of this section, the Secretary shall direct the Association to begin making commitments to purchase, and to purchase, loans and advances of credits (and related purchase certificates and other related instruments) in accordance with this section.

(b) In accordance with the directive issued by the Secretary under subsection (a), the Association shall make commitments to purchase and purchase, and may service, sell (with or without recourse), or otherwise deal in, loans and advances of credit (and related purchase certificates and other related instruments) which are insured under title I of the National Housing Act and which are made to low- and moderate-income families for the purpose of purchasing and installing energy conserving improvements in one- to four-family dwelling units owned by such families. A loan or advance of credit may be purchased under this section only if—

(1) the term of repayment does not exceed 15 years and is not less than 5 years, except that there shall be no penalty imposed if the borrower repays such loan or advance of credit at any time before the term of repayment expires;

(2) such loan or advance of credit involves an interest rate which the Secretary (after consulting with the Secretary of Agriculture and the Secretary of Energy and after taking into account the probable scope of the program at such rate and the impact a program at such rate may have on credit markets, the Federal budget, and on inflation) establishes, for the purpose of encouraging the making of loans and advances of credit to be purchased under this section, at or below the maximum interest rate permissible for such loan or advance of credit insured under title I of the National Housing Act, but in no event shall such rate be below the current average yield on outstanding interest bearing obligations of the United States of comparable maturities then forming a part of the public debt (computed at the end of the fiscal year next proceeding the date on which the loan or advance is made, and adjusted to the nearest one-eighth of 1 per centum) plus an allowance adequate to cover administrative costs;

(3) the amount of such loan or advance of credit does not exceed \$2,500;

(4) such loan or advance of credit is not used for the refinancing of any extension of credit; and

(5) the energy conserving improvements financed by such loan or advance of credit are purchased and installed after the date of enactment of this section.

(c) The Secretary shall direct the Association to give priority to purchasing loans and advances of credit under this section which are made to low- and moderate-income elderly or handicapped persons or to families with which such persons reside.

(d) The Association may issue, to the extent and in such amounts as may be approved in appropriation Acts, to the Secretary of the

<sup>1</sup> Added by Sec. 242, National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.



Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Association's obligations hereunder.

(e) No State or local usury law or comparable law establishing interest rates or prohibiting or limiting the collection or amount of discount points or other charges in connection with loan transactions and no State law prohibiting coverage of loan insurance required by the Association shall apply to transactions under this section.

(f) The Association is authorized to—

(1) sell loans and advances of credit purchased under this section at prices which it determines will help promote the objectives of assuring that operations under this section are, to the extent feasible, fully self-supporting; and

(2) pay for services performed in carrying out its functions under this section without regard to any limitation on administrative expenses heretofore enacted.

(g) The total amount of outstanding purchases and commitments authorized by the Secretary to be made pursuant to this section shall not exceed amounts approved in appropriations Acts, but in no case may such amount exceed \$3,000,000,000 at any one time.

(h) The Secretary shall establish a purchase price to be paid by the Association for loans and advances of credit under this section which shall be adequate to compensate the lender for a reasonable return on such loan or advance, plus such reasonable costs as are normally incurred in originating, servicing, and otherwise processing such loans and advances.

(i) Any loan or advance of credit purchased under this section shall be purchased with recourse to the originator.

(j) For purposes of this section—

(1) the term "low- and moderate-income family" means a family, including a single individual, whose income does not exceed 100 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 100 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, usually high- or low-median family incomes, or other factors;

(2) the term "energy conserving improvements" shall have the same meaning given such term in subparagraph (2) of the last paragraph of section 2(a) of the National Housing Act; and

(3) the terms "elderly" and "handicapped person" shall have the meaning given such terms by paragraphs (3) and (5), respectively, of section 412 of the Energy Conservation in Existing Buildings Act of 1976.

STANDBY AUTHORITY TO PURCHASE LOANS FOR ENERGY CONSERVING  
IMPROVEMENTS

SEC. 315.<sup>1</sup> (a)(1) Whenever the Secretary finds that insufficient credit is available on a national basis to finance the purchase and installation of energy conserving improvements (as defined in subparagraph (2) of the last paragraph of section 2(a) of the National Housing Act) to an extent which the Secretary determines is necessary to advance the achievement of the national program of energy conservation in residential dwelling units, the Secretary shall direct the Association to begin making commitments to purchase, and to purchase, loans and advances of credit (and related purchase certificates and other related instruments) in accordance with this section.

(2) The Secretary may direct the Association to terminate its activities under this section whenever the Secretary determines that the conditions which gave rise to the determination under paragraph (1) are no longer present.

(b) In accordance with the directive issued by the Secretary under subsection (a), the Association shall make commitments to purchase and purchase, and may service, sell (with or without recourse), or otherwise deal in, loans and advances of credit (and related purchase certificates and other related instruments) which are insured under title I of the National Housing Act and made to owners of one- to four-family dwelling units or insured under section 241 of the National Housing Act and which are made for the purpose of purchasing and installing energy conserving improvements (as defined in subparagraph (2) of the last paragraph of section 2(a) of such Act) in dwelling units.

(c) The Association may issue, to the extent and in such amounts as may be approved in appropriation Acts, to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Association's obligations hereunder.

<sup>1</sup> Added by Sec. 243, National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

(d) No State or local usury law or comparable law establishing interest rates or prohibiting or limiting the collection or amount of discount points or other charges in connection with loan transactions and no State law prohibiting the coverage of loan insurance required by the Association shall apply to transactions under this section.

(e) The Association is authorized to—

(1) sell loans and advances of credit purchased under this section at prices which it determines will help promote the objective of assuring that operations under this section are, to the extent feasible, fully self-supporting; and

(2) pay for services performed in carrying out its functions under this section without regard to any limitation on administrative expenses heretofore enacted.

(f) The total amount of outstanding purchases and commitments authorized by the Secretary to be made pursuant to this section shall not exceed amounts approved in appropriation Acts, but in no case may such amounts exceed \$2,000,000,000 at any one time.

(g) A loan or advance of credit may be purchased under this section only if—

(1) such loan or advance or credit is not used for the refinancing of an extension of credit; and

(2) the energy conserving improvements financed by such loan or advance of credit are purchased and installed after the date of enactment of this section.

#### PURCHASE OF LOANS FOR SOLAR ENERGY SYSTEMS

SEC. 316.<sup>1</sup> (a) The Secretary shall direct the Association to begin making commitments to purchase, and to purchase, loans and advances of credits (and related purchase certificates and other related instruments) in accordance with this section.

(b) In accordance with the directive issued by the Secretary under subsection (a), the Association shall make commitments to purchase and purchase, and may service, sell (with or without recourse), or otherwise deal in, loans and advances of credit (and related purchase certificates and other related instruments) which are made to owners of a one- to four-family dwelling units and insured under title I of the National Housing Act and which are made for the purpose of purchasing and installing solar energy systems (as defined in subparagraph (3) of the last paragraph of section 2(a) of such Act) in such dwelling units. A loan or advance of credit may be purchased under this section only if—

(1) the term of repayment does not exceed fifteen years, except that there shall be no penalty imposed if the borrower repays such loan or advance of credit at any time before the term of repayment expires;

(2) subject to subsection (i), such loan or advance of credit involves an interest rate which the Secretary (after consulting with the Secretary of Energy) establishes and which is not less than the current average yield on outstanding interest bearing obligations of the United States of comparable maturities then

<sup>1</sup> Added by Sec. 244, National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.



forming a part of the public debt (computed at the end of the fiscal year next preceding the date on which the loan or advance is made, and adjusted to the nearest one-eighth of 1 per centum) plus an allowance adequate to cover administrative costs and not more than the maximum interest rate permissible for such a loan or advance of credit insured under title I of the National Housing Act;

(3) the amount of such loan or advance of credit does not exceed \$8,000;

(4) the security for such loan or advance of credit is acceptable to the Secretary;

(5) such loan or advance of credit is not used for the refinancing of any other extension of credit; and

(6) the solar energy system financed by such loan or advance of credit is purchased and installed after the date of enactment of this section.

“(c) The Association may issue, to the extent and in such amounts as may be approved in appropriation Acts, to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Associations obligations hereunder.

(d) No State or local usury law or comparable law establishing interest rates or prohibiting or limiting the collection or amount of discount points or other charges in connection with loan transactions and no State law prohibiting coverage of loan insurance required by the Association shall apply to transactions under this section.

(e) The Association is authorized to—

(1) sell loans and advances of credit purchased under this section at prices which it determines will help promote the objectives of assuring that operations under this section are, to the extent feasible, fully self-supporting; and

(2) pay for services performed in carrying out its functions under this section without regard to any limitation on administrative expenses heretofore enacted.

(f) The total amount of outstanding purchases and commitments authorized by the Secretary to be made pursuant to this section shall not exceed amounts approved in appropriation Acts, but in no case may such amount exceed \$100,000,000 at any one time.

(g) The Secretary shall establish a purchase price to be paid by the Association for loans and advances of credit under this section which shall be adequate to compensate the lender for a reasonable return on such loan or advance, plus such reasonable costs as are normally incurred in originating, servicing, and otherwise processing such loans and advances.

(h) Any loan or advance of credit purchased under this section shall be purchased with recourse to the originator.

(i) If, after one year following the date on which the Association may issue obligations under subsection (c), 50 per centum of the amount available during such one-year period for financing the program established by this section has not been utilized, the Secretary shall provide that loans and advances of credit which may be purchased under this section shall have the lowest interest rate authorized by subsection (b) (2) unless the Secretary finds that the interest rate is not the primary impediment to carrying out such program and that lowering the interest rate will not increase the utilization of the funds made available to carry out such program.

(j) The authority to purchase loans and advances of credit under this section shall terminate five years after the date of enactment of this section.

#### EXCERPT FROM EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

[Public Law 93-449, 88 Stat. 1364]

#### GNMA—INTERIM AUTHORITY TO PURCHASE CERTAIN MORTGAGES

AN ACT To increase on an emergency basis the availability of reasonably priced mortgage credit for housing

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SHORT TITLE

SECTION 1. This Act may be cited as the "Emergency Home Purchase Assistance Act of 1974".

#### FINDINGS

SEC. 2. The Congress finds and declares that—

(1) in many parts of the Nation, residential mortgage credit is or is likely soon to become prohibitively expensive or unavailable at any price;

(2) the unavailability of mortgage credit severely restricts housing production, causes hardship for those who wish to purchase or sell new and existing housing, and delays the achievement of the national goal of a decent home for every American family; and

(3) there is an urgent need to provide an alternate source of residential mortgage credit on an emergency basis.

SEC. 3. (b) The amendment made by subsection (a) <sup>1</sup> becomes effective upon the date of enactment of this Act and shall remain in effect until October 1, 1979 <sup>2</sup> except that it shall remain in effect after such date <sup>2</sup> to the extent necessary (1) to honor commitments to purchase mortgages issued prior to such date <sup>2</sup> and (2) to provide for the liquidation of assets and discharge of liabilities acquired or incurred prior to such date.<sup>3</sup>

\* \* \* \* \*

Approved October 18, 1974.

### EXCERPT FROM THE HOUSING ACT OF 1959

[Public Law 86-372, 73 Stat. 654]

\* \* \* \* \*

SEC. 306. \* \* \*.

(b) In connection with the sale of any mortgages to the Government National Mortgage Association <sup>4</sup> pursuant to section 306(e) of the Federal National Mortgage Association Charter Act, the Secretary of Housing and Urban Development is authorized and any other official, unit, or agency selling such mortgages thereunder is directed, to transfer to the Association from time to time, from authorizations, limitations, and funds available for administrative expenses of such official, unit, or agency in connection with the same mortgages, such amounts thereof as said Secretary determines to be required for administrative expenses of the Association in connection with the purchase, servicing, and sale of such mortgages: *Provided*, That no such transfer shall be made after a budget estimate of the Association with respect to the same mortgages has been submitted to and finally acted upon by the Congress.

\* \* \* \* \*

Approved September 23, 1959.

<sup>1</sup> This language appears as section 313 of title III (GNMA) of the Federal National Mortgage Association Charter Act.

<sup>2</sup> Sec. 207(1) of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, deleted the words "for a period of one year following such date of enactment" and inserted in lieu thereof "until July 1, 1976". Sec. 13(d) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 3(b) of the Emergency Home Purchase Assistance Act by striking "July 1, 1976" and inserting in lieu thereof "October 1, 1977; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "1977" and inserted in lieu thereof "1978". The date was extended further by Section 303 of Housing and Community Development Amendments of 1978; P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>3</sup> Sec. 207(2) of the Emergency Housing Act of 1975, Public Law 94-50, approved July 2, 1975, 89 Stat. 249, deleted the words "the expiration of such period" each place it appears and inserted in lieu thereof "such date".

<sup>4</sup> Sec. 807(a), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 544, substituted "Government" for "Federal".



## EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476, 545]

## TITLE VIII—SECONDARY MORTGAGE MARKET

## PURPOSES

SEC. 801. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

\* \* \* \* \*

## EFFECTIVE DATE

SEC. 808. The amendments made by this title shall be effective from and after a date,<sup>1</sup> no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

## SAVINGS PROVISIONS

SEC. 809. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

<sup>1</sup> This effective date was established as Sept. 1, 1968.

TRANSITIONAL PROVISIONS

SEC. 810. (a) On the effective date established pursuant to section 808 of this Act, each share of outstanding nonvoting common stock, with a par value of \$100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation. For<sup>1</sup> the purposes of the Internal Revenue Code of 1954, no gain or loss is recognized by the holders of such stock on such change, and the basis and holding period of such stock in the hands of the stockholders immediately after such change are the same as the basis and holding period of such stock in their hands immediately prior to such change.

(b) Repealed.<sup>2</sup>

(c) Repealed.<sup>3</sup>

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 808 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

\* \* \* \* \*

Approved August 1, 1968.

## SPECIAL ASSISTANCE (GNMA) FOR LOW-COST HOMES

### EXCERPT FROM THE DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966

[Public Law 89-754, 80 Stat. 1255, 1285]

#### FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE FOR FINANCING LOW-COST HOMES

SEC. 1006. The Congress hereby finds that the sharp decline in new home construction over the past year threatens to undercut our present high level of prosperity and employment as such declines have in

<sup>1</sup> This sentence added by sec. 901(e), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1807.

<sup>2</sup> Sec. 806(1) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, 88 Stat. 633, repealed this subsection (b).

<sup>3</sup> Sec. 806(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, repealed this subsection (c).

the past; that the substantial reduction which has taken place has had its greatest impact on families of modest income who are seeking to achieve the goal of homeownership; that this decline in homebuilding is due primarily to the shortage of mortgage financing on terms which moderate income families can afford; and that our national policy objectives in the field of housing and community development are thereby being thwarted. The Congress therefore expresses its intent that the special assistance funds made available to the Federal National Mortgage Association for the financing of new low-cost homes by the Act of September 10, 1966 (Public Law 89-556),<sup>1</sup> should be released immediately to halt the continuing decline in the construction of new homes for families of moderate income.

\* \* \* \* \*

Approved November 3, 1966.

### EXCERPTS FROM EMERGENCY HOME FINANCE ACT OF 1970

[Public Law 91-351, 84 Stat. 450, 464, 12 U.S.C. 1430 Note]

AN ACT To increase the availability of mortgage credit for the financing of urgently needed housing, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Emergency Home Finance Act of 1970".

#### TITLE I—REDUCTION OF INTEREST CHARGES FOR MEMBERS OF THE FEDERAL HOME LOAN BANK SYSTEM

SEC. 101. (a) There is authorized to be appropriated not to exceed \$250,000,000, without fiscal year limitation, to be used by the Federal Home Loan Bank Board for disbursement to Federal home loan banks for the purpose of adjusting the effective interest charged by such banks on short-term and long-term borrowing to promote an orderly flow of funds into residential construction. The disbursement of sums appropriated hereunder shall be made under such terms and conditions as may be prescribed by the Board to assure that such sums are used to assist in the provision of housing for low- and middle-income families, and that such families share fully in the benefits resulting from the disbursement of such sums. No member of a Federal home loan bank shall use funds the interest charges on which have been adjusted pursuant to the provisions of this section to make any loan, if—

(1) the effective rate of interest on such loan exceeds the effective rate of interest on such funds payable by such member by a percentile amount which is in excess of such amount as the Board determines to be appropriate in furtherance of the purposes of this section; or

<sup>1</sup> The reference to Public Law 89-556 is in error and should be to Public Law 89-566. Public Law 89-566 amended sec. 305(g) of the National Housing Act to provide an additional \$1,000,000,000 for purchase of FHA and VA mortgages under FNMA's special assistance program. The special assistance functions of FNMA are now administered by GNMA.



(2) the principal obligation of any such loan which is secured by a mortgage on a residential structure exceeds the dollar limitations on the maximum mortgage amount, in effect on the date the mortgage was originated, which would be applicable if the mortgage was insured by the Secretary of Housing and Urban Development under section 203 (b) or 207 of the National Housing Act.

(b) Not more than 20 per centum of the sums appropriated pursuant to subsection (a) shall be disbursed in any one Federal home loan bank district.

\* \* \* \* \*

### TITLE III—FEDERAL HOME LOAN MORTGAGE CORPORATION

[12 U.S.C. 1451]

#### SHORT TITLE

SEC. 301. This title may be cited as the "Federal Home Loan Mortgage Corporation Act".

#### DEFINITIONS

SEC. 302. As used in this title—

(a) The term "Board of Directors" means the Board of Directors of the Corporation.

(b) The term "Corporation" means the Federal Home Loan Mortgage Corporation created by this title.

(c) The term "law" includes any law of the United States or of any State (including any rule of law or of equity).

(d) The term "mortgage" includes such classes of liens as are commonly given or are legally effective to secure advances on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby, and includes interests in mortgages.

(e) The term "organization" means any corporation, partnership, association, business trust, or business entity.

(f) The term "prescribe" means to prescribe by regulations or otherwise.

(g) The term "property" includes any property, whether real, personal, mixed, or otherwise, including without limitation on the generality of the foregoing choses in action and mortgages, and includes any interest in any of the foregoing.

(h) The term "residential mortgage" means a mortgage which (1) is a mortgage on real estate, in fee simple or under a leasehold having such term as may be prescribed by the Corporation, upon which there is located a structure or structures designed in whole or in part for residential use, or which comprises or includes one or more condominium units or dwelling units (as defined by the Corporation) and (2) has such characteristics and meets such requirements as to amount, term, repayment provisions, number of families, status as a first lien on such real estate, and otherwise, as may be prescribed by the Corporation.

The term "residential mortgage" also includes a loan or advance of credit insured under title I of the National Housing Act whose original proceeds are applied for in order to finance energy conserving im-

provements, or the addition of a solar energy system, to residential real estate. The term "residential mortgage" also includes a loan or advance of credit for such purposes not having the benefit of such insurance and includes loans made where the lender relies for purposes of repayment primarily on the borrower's general credit standing and forecast of income, with or without other security.<sup>1</sup>

(i) The term "conventional mortgage" means a mortgage other than a mortgage as to which the Corporation has the benefit of any guaranty, insurance or other obligation by the United States or a State or an agency or instrumentality of either.

(j) The term "security" has the meaning ascribed to it by section 2 of the Securities Act of 1933.

(k) The term "State", whether used as a noun or otherwise, includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

#### ESTABLISHMENT OF THE CORPORATION

SEC. 303. (a) There is created the Federal Home Loan Mortgage Corporation, which shall be a body corporate and shall be under the direction of a Board of Directors composed of the members of the Federal Home Loan Bank Board, who shall serve as such without additional compensation. The Chairman of the Federal Home Loan Bank Board shall be the Chairman of the Board of Directors. The principal office of the Corporation shall be in the District of Columbia or at such other place as the Corporation may from time to time prescribe. The Corporation shall be a member of each Federal home loan bank and, except as otherwise provided by the Federal Home Loan Bank Board, shall have all the benefits, powers, and privileges, and in the exercise thereof shall be subject to all liabilities, conditions, and limitations (except those relating to Federal home loan bank stock and subscriptions thereto and those under provisions of the Federal Home Loan Bank Act preceding section 9) which are provided by the terms of such Act or other Federal statute for members of any such bank.

(b) The Corporation shall have power (1) to adopt, alter, and use a corporate seal; (2) to have succession until dissolved by Act of Congress; (3) to make and enforce such bylaws, rules, and regulations as may be necessary or appropriate to carry out the purposes or provisions of this title; (4) to make and perform contracts, agreements, and commitments; (5) to prescribe and impose fees and charges for services by the Corporation; (6) to settle, adjust, and compromise, and with or without consideration or benefit to the Corporation to release or waive in whole or in part, in advance or otherwise, any claim, demand, or right of, by, or against the Corporation; (7) to sue and be sued, complain and defend, in any State, Federal, or other court; (8) to acquire, take, hold, and own, and to deal with and dispose of any property; and (9) to determine its necessary expenditures and the manner in which the same shall be incurred, allowed, and paid, and appoint, employ, and fix and provide for the compensation and benefits of officers, employees, attorneys, and agents, all without regard to

<sup>1</sup> Amended by Sec. 245, National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.



any other law except as may be provided by the Corporation or by laws hereafter enacted by the Congress expressly in limitation of this sentence. Nothing in this title or any other law shall be construed to prevent the appointment, employment, and provision for compensation and benefits, as an officer, employee, attorney, or agent of the Corporation, of any officer, employee, attorney, or agent of any department, establishment, or corporate or other instrumentality of the Government, including any Federal home loan bank or member thereof. The Corporation, with the consent of any such department, establishment, or instrumentality, including any field services thereof, may utilize and act through any such department, establishment, or instrumentality and may avail itself of the use of information, services, facilities, and personnel thereof, and may pay compensation therefor, and all of the foregoing are hereby authorized to provide the same to the Corporation as it may request.

(c) Funds of the Corporation may be invested in such investments as the Board of Directors may prescribe. Any Federal Reserve bank or Federal home loan bank, or any bank as to which at the time of its designation by the Corporation there is outstanding a designation by the Secretary of the Treasury as a general or other depository of public money, may be designated by the Corporation as a depository or custodian or as a fiscal or other agent of the Corporation, and is hereby authorized to act as such depository, custodian, or agent. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public money, under such regulations as may be prescribed by the Secretary of the Treasury, and may also be employed as fiscal or other agent of the United States, and it shall perform all such reasonable duties as such depository or agent as may be required of it.

(d) The Corporation, including its franchise, activities, capital, reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed. The provisions of this subsection shall be applicable without regard to any other law, including without limitation on the generality of the foregoing section 3301 of the Internal Revenue Code of 1954, except laws hereafter enacted by Congress expressly in limitation of this subsection.

(e) Notwithstanding section 1349 of title 28 of the United States Code or any other provision of law, (1) the Corporation shall be deemed to be an agency included in sections 1345 and 1442 of such title 28; (2) all civil actions to which the Corporation is a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of all such actions, without regard to amount or value; and (3) any civil or other action, case or controversy in a court of a State, or in any court other than a district court of the United States, to which the Corporation is a party may at any time before the trial thereof be removed by the Corporation, without the giving of any bond or security, to the district court of the United States for the district and division embracing the place where the same is pending, or, if there is no such district court,



to the district court of the United States for the district in which the principal office of the Corporation is located, by following any procedure for removal of causes in effect at the time of such removal. No attachment or execution shall be issued against the Corporation or any of its property before final judgment in any State, Federal, or other court.

SEC. 304. (a) The capital stock of the Corporation shall consist of nonvoting common stock which shall be issued only to Federal home loan banks and shall have such par value and such other characteristics as the Corporation prescribes. Stock of the Corporation shall be evidenced in such manner and shall be transferable only to such extent, to such transferees, and in such manner, as the Corporation prescribes.

(b) The Federal home loan banks shall from time to time subscribe, at such price not less than par as the Corporation shall from time to time fix, for such amounts of common stock as the Corporation prescribes, and such banks shall pay therefor at such time or times and in such amount or amounts as may from time to time be fixed by call of the Corporation. The amount of the payments for which such banks may be obligated under such subscriptions shall not exceed a cumulative total of \$100,000,000.

(c) Subscriptions of the respective Federal home loan banks to such stock shall be allocated by the Corporation.

(d) The Corporation may retire at any time all or any part of the stock of the Corporation, or may call for retirement all or any part of the stock of the Corporation by (1) publishing a notice of the call in the Federal Register or providing such notice in such other manner as the Corporation may determine to be appropriate, and (2) depositing with the Treasurer of the United States, for the purpose of such retirement, funds sufficient to effect such retirement. No call for the retirement of any stock shall be made, and no stock shall be retired without call, if immediately after such action, the total of the stock not called for retirement and of the reserves and surplus of the Corporation would be less than \$100,000,000. The retirement of stock shall be at the par value thereof, or at the price at which such stock was issued if such price is greater than par value. No declaration of any dividend on stock of the Corporation shall be effective with respect to stock which at the time of such declaration is the subject of an outstanding retirement call the effective date of which has arrived.

#### MORTGAGE OPERATIONS

SEC. 305. (a) (1) The Corporation is authorized to purchase, and make commitments to purchase, residential mortgages from any Federal home loan bank, the Federal Savings and Loan Insurance Corporation, any member of a Federal home loan bank, or any other financial institution the deposits or accounts of which are insured by an agency of the United States, or from any financial institution the deposits or accounts of which are insured under the laws of any State if the total amount of time and savings deposits held in all such institutions in that State is more than 20 per centum of the total amount of such deposits in all banks, building and loan, savings and loan, and homestead associations (including cooperative banks) in that State, or from any mortgage approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance pro-

gram under the National Housing Act. The Corporation may hold<sup>1</sup> and deal with, and sell or otherwise dispose of, pursuant to commitments or otherwise, any such mortgage or interest therein, and the servicing on any such mortgage may be performed by the seller or by a financial institution qualified as a seller under the provisions of the preceding sentence, or by a mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act, with which institution or mortgagee the seller may contract.<sup>2</sup> The operations of the Corporation under this section shall be confined so far as practicable to residential mortgages which are deemed by the Corporation to be of such quality, type, and class as to meet generally the purchase standards imposed by private institutional mortgage investors. The Corporation may establish requirements, and impose charges or fees, which may be regarded as elements of pricing, for different classes of sellers or servicers, and for such purposes the Corporation is authorized to classify sellers or servicers according to type, size, location, assets, or, without limitation on the generality of the foregoing, on such other basis or bases of differentiation as the Corporation may consider necessary or appropriate to effectuate the purposes or provisions of this Act. The Corporation may specify requirements concerning among other things, (A) minimum net worth; (B) supervisory mechanisms; (C) warranty compensation mechanisms; (D) prior approval of facilities; (E) prior origination and servicing experience with respect to different types of mortgages; (F) capital contributions and substitutes; (G) mortgage purchase volume limits; and (H) reduction of mortgage purchases during periods of borrowing. With respect to any particular type of seller, the Corporation shall not be required to make available programs involving prior approval of mortgages, optional delivery of mortgages, and purchase of other than conventional mortgages to an extent greater than the Corporation elects to make such programs available to other types of eligible sellers. Any requirements specified by the Corporation pursuant to the preceding three sentences must bear a rational relationship to the purposes or provisions of this Act, but will not be considered discriminatory solely on the grounds of differential effects on types of eligible sellers. Insofar as is practicable, the Corporation shall make reasonable efforts to encourage participation in its programs by each type of eligible seller.

(2) No conventional mortgages shall be purchased under this section if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum<sup>3</sup> of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the Corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the Corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in

<sup>1</sup> Sec. 805(a)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "The Corporation may hold" for "and to hold".

<sup>2</sup> Sec. 805(a)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, further amended subsection (a)(1). The last five sentences of this section were added by Sec. 321(b), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978. Sec. 321(c) of these Amendments provides that "The Amendments made by this section shall become effective at the end of the two hundred and ten calendar days after enactment of this Act, but not before January 31, 1979, or on such earlier date as the Federal Home Loan Mortgage Corporation may prescribe."

<sup>3</sup> Sec. 805(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "80 per centum" for "75 per centum" each place it appeared.



excess of such 80 per centum <sup>1</sup> is guaranteed or insured by a qualified <sup>2</sup> insurer as determined by the Corporation. The Corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The Corporation may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is currently engaged in mortgage lending or investing activities and if, as a result thereof, the cumulative aggregate of the principal balances of all conventional mortgages purchased by the Corporation which were originated more than one year prior to the date of purchase does not exceed 20 per centum <sup>3</sup> of the cumulative aggregate of the principal balances of all conventional mortgages purchased by the Corporation. The Corporation shall establish limitations governing the maximum principal obligation of conventional mortgages purchased by it, but such limitations shall not exceed by more than 25 per centum <sup>4</sup> the limitations contained in the first proviso to the first sentence of section 5(c) of the Home Owners' Loan Act of 1933 <sup>5</sup>.

(3) The sale or other disposition by the Corporation of a mortgage under this section may be with or without recourse, and shall be upon such terms and conditions relating to resale, repurchase, guaranty, substitution, replacement, or otherwise as the Corporation may prescribe.

(b) Notwithstanding any other law, authority to enter into and to perform and carry out any transactions or matter referred to in this section is conferred on any Federal home loan bank, the Federal Savings and Loan Insurance Corporation, any Federal savings and loan association, any Federal home loan bank member, and any other financial institution the deposits or accounts of which are insured by an agency of the United States to the extent that Congress has the power to confer such authority.

#### OBLIGATIONS AND SECURITIES

SEC. 306. (a) The Corporation is authorized, upon such terms and conditions as it may prescribe, to borrow, to give security, to pay interest or other return, and to issue notes, debentures, bonds, or other obligations, or other securities, including without limitation mortgage-backed securities guaranteed by the Government National Mortgage Association in the manner provided in section 306(g) <sup>6</sup> of the National

<sup>1</sup> Sec. 805(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "80 per centum" for "75 per centum" each place it appeared.

<sup>2</sup> Sec. 805(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the word "private" in Clause (C).

<sup>3</sup> Sec. 805(b)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "20 per centum" for "10 per centum".

<sup>4</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by inserting "by more than 25 per centum".

<sup>5</sup> Sec. 805(b)(4) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended the last sentence of subsection (a) (2).

<sup>6</sup> Sec. 306(g), National Housing Act, authorizes the GNMA to guarantee payment of principal and interest on any mortgage-backed securities issued by the FNMA, and also on any similar securities issued by other approved private issuers so long as they are backed by mortgages or loans guaranteed or insured by FHA, VA, or the Farmers Home Administration and are set aside in a manner similar to that established by the FNMA under sec. 304, National Housing Act.



Housing Act. Any obligation or security of the Corporation shall be valid and binding notwithstanding that a person or persons purporting to have executed or attested the same may have died, become under disability, or ceased to hold office or employment before the issuance thereof.

(b) The Corporation may, by regulation or by writing executed by the Corporation, establish prohibitions or restrictions upon the creation of indebtedness or obligations of the Corporation or of liens or charges upon property of the Corporation, including after-acquired property, and create liens and charges, which may be floating liens or charges, upon all or any part or parts of the property of the Corporation, including after-acquired property. Such prohibitions, restrictions, liens, and charges shall have such effect, including without limitation on the generality of the foregoing such rank and priority, as may be provided by regulations of the Corporation or by writings executed by the Corporation, and shall create causes of action which may be enforced by action in the United States District Court for the District of Columbia or in the United States district court for any judicial district in which any of the property affected is located. Process in any such action may run to and be served in any judicial district or any place subject to the jurisdiction of the United States.

(c) The Federal home loan banks shall, to such extent as the Board of Directors may prescribe, guarantee the faithful and timely performance by the Corporation of any obligation or undertaking of the Corporation on or with respect to any security (which term as used in this sentence shall not include the capital stock referred to in section 304 of this title).

(d) The provisions of this section and of any restriction, prohibition, lien, or charge referred to in subsection (b) shall be fully effective notwithstanding any other law, including without limitation on the generality of the foregoing any law of or relating to sovereign immunity or priority.

#### MISCELLANEOUS PROVISIONS

SEC. 307. (a) All rights and remedies of the Corporation, including without limitation on the generality of the foregoing any rights and remedies of the Corporation on, under, or with respect to any mortgage or any obligation secured thereby, shall be immune from impairment, limitation, or restriction by or under (1) any law (except laws enacted by the Congress expressly in limitation of this sentence) which becomes effective after the acquisition by the Corporation of the subject or property on, under, or with respect to which such right or remedy arises or exists or would so arise or exist in the absence of such law, or (2) any administrative or other action which becomes effective after such acquisition. The Corporation shall be entitled to all immunities and priorities, including without limitation on the generality of the foregoing all immunities and priorities under any such law or action, to which it would be entitled if it were the United States or if it were an unincorporated agency of the United States.

(b) The financial transactions of the Corporation shall be subject to audit by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the Gen-

eral Accounting Office shall have access to all books, accounts, financial records, reports, files and all other papers, things, or property belonging to or in use by the Corporation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. A report on each such audit shall be made by the Comptroller General to the Congress. The Corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General.

#### PENAL PROVISIONS

SEC. 308. (a) Except as expressly authorized by statute of the United States, no individual or organization (except the Corporation) shall use the term "Federal Home Loan Mortgage Corporation", or any combination of words including the words "Federal", and "Home Loan", and "Mortgage", as a name or part thereof under which any individual or organization does any business, but this sentence shall not make unlawful the use of any name under which business is being done on the date of the enactment of this Act. No individual or organization shall use or display (1) any sign, device, or insignie prescribed or approved by the Corporation for use or display by the Corporation or by members of the Federal home loan banks, (2) any copy, reproduction, or colorable imitation of any such sign, device, or insignie, or (3) any sign, device, or insignie reasonably calculated to convey the impression that it is a sign, device, or insignie used by the Corporation or prescribed or approved by the Corporation, contrary to regulations of the Corporation prohibiting, or limiting or restricting, such use or display by such individual or organization. An organization violating this subsection shall for each violation be punished by a fine of not more than \$10,000. An officer or member of an organization participating or knowingly acquiescing in any violation of this subsection shall be punished by a fine of not more than \$5,000 or imprisonment for not more than one year, or both. An individual violating this subsection shall for each violation be punished as set forth in the sentence next preceding this sentence.

(b) The provisions of sections 215, 607, 658, 1011, and 1014 of title 18 of the United States Code are extended to apply to and with respect to the Corporation, and for the purposes of such section 658 the term "any property mortgaged or pledged", as used therein, shall without limitation on its generality include any property subject to mortgage, pledge, or lien acquired by the Corporation by assignment or otherwise.

(c) The term "bank examiner or assistant examiner", as used in section 655 of such title 18, shall include any examiner or assistant examiner who is an officer or employee of the Corporation and any person who makes or participates in the making of any examination of or for the Corporation.

(d) The term "bank", as used in subsection (f) of section 2113 of such title 18, shall be deemed to include the Corporation, and any building used in whole or in part by the Corporation shall be deemed to be used in whole or in part as a bank, within the meaning of such section 2113.

(e) The terms "agency" and "agencies" shall be deemed to include the Corporation wherever used with reference to an agency or agen-



cies of the United States in sections 201, 202, 203, 205, 207, 208, 209, 286, 287, 371, 506, 595, 602, 641, 654, 701, 872, 1001, 1002, 1016, 1017, 1361, 1505, and 2073 of such title 18. Any officer or employee of the Corporation shall be deemed to be a person mentioned in section 602 of such title 18 within the meaning of sections 603 and 606 of such title.

(f) The terms "obligation or other security" and "obligations or other securities", wherever used (with or without the words "of the United States") in sections 471 to 476, both inclusive, and section 492 of such title 18, are extended to include any obligation or other security of or issued by the Corporation. Any reference in sections 474, 494, 495, and 642 of such title 18 to the United States Code, except in a territorial sense, or to the Secretary of the Treasury is hereby extended to include the Corporation. Section 477 of such title 18 is extended to apply with respect to section 476 of such title as extended by the first sentence of this subsection (f), and for this purpose the term "United States" as used in such section 476 shall include the Corporation.

#### TERRITORIAL APPLICABILITY

SEC. 309. Notwithstanding any other law, this title shall be applicable to the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

#### CONSTRUCTION AND SEPARABILITY

SEC. 310. Except as otherwise provided in this title, or as otherwise provided by the Corporation or by laws hereafter enacted by the Congress expressly in limitation of provisions of this title, the powers and functions of the Corporation and of the Board of Directors shall be exercisable, and the provisions of this title shall be applicable and effective, without regard to any other law. Notwithstanding any other evidences of the intention of Congress, it is hereby declared to be the controlling intent of Congress that if any provision of this title, or the application thereof to any person or circumstances, is held invalid, the remainder of this title, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

\* \* \* \* \*

### PARTICIPATION SALES

#### EXCERPTS FROM PARTICIPATION SALES ACT OF 1966

[Public Law 89-429, 80 Stat. 164; 12 U.S.C. 1717]

#### SEC. 6. \* \* \* \*

(b) After June 30, 1966, no department or agency listed in section 302(c) (2) of the Federal National Mortgage Association Charter Act may sell any obligation held by it except as provided in section 302(c) of that Act, or as approved by the Secretary of the Treasury, except that this prohibition shall not apply to the Government National Mortgage Association.

\* \* \* \* \*

SEC. 9. The Federal National Mortgage Association is authorized during the fiscal year 1966 to sell—



(1) additional participations in the Government Mortgage Liquidation Trust, and

(2) participations in a trust to be established by the Small Business Administration.

each without regard to the provisions of paragraph (4) of section 302(c) of the Federal National Mortgage Association Charter Act.<sup>1</sup> Approved May 24, 1966.

EXCERPTS FROM INDEPENDENT OFFICES  
APPROPRIATION ACT, 1967

[Public Law 89-555, 80 Stat. 663, 683]

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PARTICIPATION SALES AUTHORIZATION

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such obligations as may be placed in trust with such Association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended by Public Law 89-429, for the accounts of the following departments and agencies, in not to exceed the following aggregate principal amounts:

The Farmers Home Administration of the Department of Agriculture, \$600,000,000;

The Office of Education of the Department of Health, Education, and Welfare, \$100,000,000;

The Department of Housing and Urban Development, \$1,420,000,000;

The Veterans' Administration, \$260,000,000; and

The Small Business Administration, \$850,000,000:

*Provided*, That the foregoing authorizations shall remain available until June 30, 1968.

PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

To enable any department or agency named in paragraph (2) of section 302(c) of the Federal National Mortgage Association Charter Act, as added by Public Law 89-429, to pay the Federal National Mortgage Association, as trustee, such insufficiencies may be required by the trustee on account of such outstanding beneficial interests or participations as may be authorized by this Act to be issued pursuant to said section 302(c), such sums as may be necessary, to be available without fiscal year limitation.

Approved September 6, 1966.

<sup>1</sup> Sec. 302(c) (2) (4) of the Federal National Mortgage Association Charter Act, as added by the Participation Sales Act, provides "Beneficial interests of participations shall not be issued for the account of any trustor in an aggregate principal amount greater than is authorized with respect to such trustor in an appropriation Act. Any such authorization shall remain available only for the fiscal year for which it is granted and for the succeeding fiscal year."

## SECONDARY MARKET FOR MORTGAGE LOANS

### EXCERPTS FROM DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATION ACT, 1968

[Public Law 90-113, 81 Stat. 319, 331]

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#### TITLE II—CREDIT AGENCIES

\* \* \* \* \*

##### FARMERS HOME ADMINISTRATION

##### DIRECT LOAN ACCOUNT AND RURAL HOUSING DIRECT LOAN ACCOUNT PARTICIPATION SALES AUTHORIZATION

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such loan assets of the Farmers Home Administration Direct Loan Account and Rural Housing Direct Loan Account as may be placed in trust with such Association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended for the account of the Farmers Home Administration of the Department of Agriculture, in addition to amounts heretofore authorized, in an aggregate principal amount not to exceed \$750,000,000: *Provided*, That this authorization shall remain available until June 30, 1969.

##### PAYMENT OF SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations in the Farmers Home Administration Direct Loan Account or Rural Housing Direct Loan Account assets authorized by this Act to be issued pursuant to said section 302(c), \$13,268,000, to remain available without fiscal year limitation.

\* \* \* \* \*

Approved October 24, 1967.

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### EXCERPTS FROM INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT APPROPRIATION ACT, 1968

[Public Law 90-121, 81 Stat. 341, 352, 357]

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#### VETERANS' ADMINISTRATION

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##### PARTICIPATION SALES AUTHORIZATION

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such loan assets of the Direct Loan Revolving Fund and the Loan Guaranty Revolving Fund as may be placed in trust with such association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended, in an aggregate principal amount of not to exceed \$850,000,000, in addition to amounts heretofore authorized: *Provided*, That this authorization shall remain available until June 30, 1969.

## SECONDARY MARKET FOR MORTGAGE LOANS

### PAYMENT OF SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations in Direct Loan Revolving Fund Assets or Loan Guaranty Revolving Fund assets authorized by this act to be issued pursuant to said section 302(c), as amended, not to exceed \$665,000.

\* \* \* \* \*

### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

\* \* \* \* \*

#### PARTICIPATION SALES AUTHORIZATIONS

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such obligations as may be placed in trust with such Association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended, for the account of the Department of Housing and Urban Development (including the Federal National Mortgage Association) not to exceed \$2,385,000,000 in addition to amounts heretofore authorized in not to exceed the following principal amounts: Public facility loan fund, \$80,000,000; College housing loan fund, \$1,600,000,000; Housing for the elderly or handicapped fund, \$100,000,000; FNMA special assistance functions, \$250,000,000; and FNMA management and liquidation functions, \$355,000,000: *Provided*, That the foregoing authorizations shall remain available until June 30, 1969.

#### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations authorized by this Act to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, not to exceed \$23,000,000.

\* \* \* \* \*

Approved November 3, 1967.

### EXCERPTS FROM DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE APPROPRIATION ACT, 1968

[Public Law 90-132, 81 Stat. 386, 394, 401]

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### TITLE II—DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

\* \* \* \* \*

#### OFFICE OF EDUCATION

\* \* \* \* \*

#### PARTICIPATION SALES AUTHORIZATIONS

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such assets



## SECONDARY MARKET FOR MORTGAGE LOANS

from loans made by the Commissioner of Education for construction of academic facilities as may be placed in trust with such Association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended, in an aggregate principal amount of not to exceed \$100,000,000, in addition to amounts heretofore authorized: *Provided*, That the foregoing authorization shall remain available until June 30, 1969.

### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations in assets of the Office of Education authorized by this Act to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$925,000.

\* \* \* \* \*

### PARTICIPATION SALES AUTHORIZATION

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such loan assets of the Health Professions Education Fund and the Nurse Training Fund as may be placed in trust with such association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended, in an aggregate principal amount of not to exceed \$15,000,000: *Provided*, That this authorization shall remain available until June 30, 1969.

### PAYMENT OF SALES INSUFFICIENCIES

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations in assets of the Public Health Service in Health Professions Education Fund assets or Nurse Training Fund assets, authorized by this act to be issued pursuant to said section 302(c), \$250,000.

\* \* \* \* \*

Approved November 8, 1967.

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## EXCERPTS FROM DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATION ACT, 1968

[Public Law 90-133, 81 Stat. 410, 431]

\* \* \* \* \*

### SMALL BUSINESS ADMINISTRATION

\* \* \* \* \*

### PARTICIPATION SALES AUTHORIZATION

The Federal National Mortgage Association, as trustee, is hereby authorized to issue beneficial interests or participations in such obligations as may be placed in trust with such Association in accordance with section 302(c) of the Federal National Mortgage Association Charter Act, as amended, for the account of the Small Business

## SECONDARY MARKET FOR MORTGAGE LOANS

Administration, in an aggregate principal amount of not to exceed \$150,000,000, in addition to amounts heretofore authorized: *Provided*, That this authorization shall remain available until June 30, 1969.

### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

To enable the Small Business Administration to pay the Federal National Mortgage Association, as trustee, such insufficiencies as may be required by the trustee on account of such outstanding beneficial interests or participations in obligations of the Small Business Administration, as may be authorized by this Act to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, not to exceed \$1,350,000.

\* \* \* \* \*

Approved November 8, 1967.

### EXCERPT FROM DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATION ACT, 1977

[Public Law 94-439, 90 Stat. 1418]

\* \* \* \* \*

### PAYMENT OF SALES INSUFFICIENCIES AND INTEREST LOSSES

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interest or participations in the Health Professions Education Fund assets or Nurse Training Fund assets, authorized by the Department of Health, Education, and Welfare Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, \$164,000, and for payment of amounts pursuant to section 744(b) or 827(b) of the Public Health Service Act to schools which borrow any sums from the Health Professions Education Fund or Nurse Training Fund, \$3,836,000: *Provided*, That the amounts appropriated herein shall remain available until expended

\* \* \* \* \*

### HIGHER EDUCATION FACILITIES LOAN AND INSURANCE FUND

For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interest or participations in assets of the Office of Education authorized by the Department of Health, Education, and Welfare Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(c)), \$2,119,000, to remain available until expended, and the Secretary is hereby authorized to make such expenditures, within the limits of funds available in the Higher Education Facilities Loan and Insurance Fund, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitation as provided by section 104 of the Government Corporation Control Act (31 U.S.C. 849) as may be necessary in carrying out the program set forth in the budget for the current fiscal year for such fund.

\* \* \* \* \*

Approved September 30, 1976.

## EXCERPT FROM EMERGENCY HOME FINANCE ACT OF 1970

[Public Law 91-351, 84 Stat. 450]

EMERGENCY RELIEF FROM INTEREST RATE CONFLICT BETWEEN FEDERAL  
LAW AND STATE LAW

SEC. 702. Notwithstanding any other law, from the date of enactment of this title until July 1, 1972, loans to local public agencies under title I of the Housing Act of 1949 and to local public housing agencies under the United States Housing Act of 1937 may, when determined by the Secretary of Housing and Urban Development to be necessary because of interest rate limitations of State laws, bear interest at a rate less than the applicable going Federal rate but not less than 6 per centum per annum.

\* \* \* \* \*

Approved July 24, 1970.



## RURAL HOUSING

### EXCERPTS FROM HOUSING ACT OF 1949

[Public Law 171, 81st Cong., 63 Stat. 432; 42 U.S.C. 1471 et seq.]

#### TITLE V—FARM HOUSING

SEC. 501. (a) The Secretary of Agriculture (hereinafter referred to as the "Secretary") is authorized, subject to the terms and conditions of this title, to extend financial assistance, through the Farmers Home Administration, (1) to owners of farms in the United States and in the Commonwealth of Puerto Rico, the Virgin Islands, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands,<sup>1</sup> to enable them to construct, improve, alter, repair, or replace dwellings and other farm buildings on their farms, and <sup>2</sup> to purchase buildings and land constituting a minimum adequate site, in order to provide them, their tenants, lessees, sharecroppers, and laborers with decent, safe, and sanitary living conditions and adequate farm buildings as specified in this title, and (2) to owners of other real estate in rural areas for <sup>3</sup> the construction, improvement, alteration, or repair of dwellings, related facilities, and farm buildings, and to rural residents for such purposes and for the purchase of buildings and the purchase of land constituting a minimum adequate site, in order to enable them to provide dwellings and related facilities for their own use and buildings adequate for their farming operations, and (3) <sup>4</sup> to elderly or handicapped persons or families <sup>5</sup> who are or will be the owners of land in rural areas for the construction, improvement, alteration, or repair of dwellings and related facilities, the purchase of dwellings and related facilities and the purchase of land constituting a minimum adequate site, in order to provide

<sup>1</sup> Sec. 501 of Housing and Community Development Act of 1974, Public Law, 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 501(a)(1), by deleting the words "Puerto Rico and the Virgin Islands" and inserting the words "the Commonwealth of Puerto Rico, the Virgin Islands, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands."

<sup>2</sup> Sec. 1001(a)(1), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 497, amended sec. 501 to authorize loans to owners of farms to purchase "previously occupied" buildings.

Sec. 801, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, further amended sec. 501 to remove the "previously occupied" provision.

<sup>3</sup> Sec. 1001(a)(2), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 497, amended sec. 501 to authorize loans to owners of other real estate in rural areas and to rural residents for the purchase of "previously occupied" buildings.

Sec. 801, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, further amended sec. 501 to remove the "previously occupied" provision.

<sup>4</sup> Sec. 4(a), Senior Citizens Housing Act of 1962, Public Law 87-723, approved September 28, 1962, 76 Stat. 670, 671, added clause (3) which included loan authorization to elderly persons for the purchase of "previously occupied" dwellings, but sec. 801, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, amended this clause to remove the "previously occupied" provision.

<sup>5</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read as set forth in the text.

them with adequate dwellings and related facilities for their own use and (4)<sup>1</sup> to an owner described in clauses (1), (2), or (3) for refinancing indebtedness which—

(A) was incurred for an eligible purpose described in such clause,

(B) if not refinanced, is likely to result at an early date in loss of the applicant's necessary dwelling or essential farm service buildings, or, if combined with a loan for improvement, rehabilitation, or repairs and not refinanced, is likely to cause a hardship for the applicant, and<sup>2</sup>

(C) was incurred by the applicant at least five years prior to his applying for assistance under this title.<sup>3</sup>

(b) (1) For the purpose of this title, the term "farm" shall mean a parcel or parcels of land operated as a single unit which is used for the production of one or more agricultural commodities and which customarily produces or is capable of producing such commodities for sale and for home use of a gross annual value of not less than the equivalent of a gross annual value of \$400 in 1944, as determined by the Secretary. The Secretary shall promptly determine whether any parcel or parcels of land constitute a farm for the purposes of this title whenever requested to do so by any interested Federal, State, or local public agency, and his determination shall be conclusive.

(2) For the purposes of this title,<sup>4</sup> the terms "owner" and "mortgage" shall be deemed to include, respectively, the lessee of and other security interest in, any leasehold interest which the Secretary determines has an unexpired term (A) in the case of a loan, for a period sufficiently beyond the repayment period of the loan to provide adequate security and a reasonable probability of accomplishing the objectives for which the loan is made, and (B) in the case of a grant for a period sufficient to accomplish the objectives for which the grant is made.

(3)<sup>5</sup> For the purposes of this title, the term "elderly or handicapped persons or families" means families which consist of two or more persons, the head of which (or his or her spouse) is at least sixty-two years of age or is handicapped. Such term also means a single person who is at least sixty-two years of age or is handicapped. A person shall be considered handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have an impairment which (A) is expected to be of long-continued and indefinite duration, (B) substantially impedes his ability to live independently, and (C) is of such a nature of such ability could be improved by more suitable housing conditions, or if such person is a developmentally disabled individual as defined in section 102(7) of the Developmental Disabilities Serv-

<sup>1</sup> Sec. 807(a), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1253, 1282, inserted this clause.

<sup>2</sup> Sec. 502(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended clause (B) by adding the following: "or, if combined with a loan for improvement, rehabilitation, or repairs and not refinanced, is likely to cause a hardship for the applicant, and".

<sup>3</sup> Sec. 502(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted clauses "(C)" and "(D)" and inserted a new clause "(C)".

<sup>4</sup> Sec. 503 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted the words "this title" for "sections 502 and 504".

<sup>5</sup> Sec. 4(a), Senior Citizens Housing Act of 1962, Public Law 87-723, approved September 28, 1962, 76 Stat. 670, 671, added this paragraph; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended this paragraph as set forth in the text.



ices and Facilities Construction Act. The Secretary shall prescribe such regulations as may be necessary to prevent abuses in determining, under the definitions contained in this paragraph, eligibility of families and persons for admission to and occupancy of housing constructed with assistance under this title. Notwithstanding the preceding provisions of this paragraph, such term also includes two or more elderly (sixty-two years of age or over) or handicapped persons living together, one or more such persons living with another person who is determined (under regulations prescribed by the Secretary) to be essential to the care or well-being of such persons, and the surviving member or members of any family described in the first sentence of this paragraph who were living, in a unit assisted under this title, with the deceased member of the family at the time of his or her death.

(c) In order to be eligible for the assistance authorized by paragraph (a), the applicant must show (1) that he is the owner of a farm which is without a decent, safe, and sanitary dwelling for himself and his family and necessary resident farm labor, or for the family of the operating tenant, lessee, or sharecropper, or without other farm buildings adequate for the type of farming in which he engages or desires to engage, or that he is the owner of other real estate in a rural area or <sup>1</sup> a rural resident without an adequate dwelling or related facilities for his own use or buildings adequate for his farming operations, or <sup>2</sup> that the applicant is an elderly or handicapped person or family in a rural area without an adequate dwelling or related facility for its own use, <sup>2</sup> or <sup>3</sup> that he is the owner of a farm or other real estate in a rural area who needs refinancing of indebtedness described in clause (4) of subsection (a); (2) that he is without sufficient resources to provide the necessary housing and buildings on his own account; and (3) that he is unable to secure the credit necessary for such housing and buildings from other sources upon terms and conditions which he could reasonably be expected to fulfill. If an applicant is a State or local public agency—

(A) the provisions of clause (3) shall not apply to its application; and

(B) the applicant shall be eligible to participate in any program under this title if the persons or families to be served by the applicant with the assistance being sought would be eligible to participate in such program.<sup>4</sup>

(d) As used in this title (except in sections 503 and 504(b)), the terms “farm,” “farm dwelling,” and “farm housing” shall include dwellings or other essential buildings of eligible applicants.

(e) The Secretary may establish procedures whereby borrowers under this title may make periodic payments for the purpose of taxes, insurance, and such other necessary expenses as the Secretary may deem appropriate. Such payments shall be disbursed by the Secretary

<sup>1</sup> Sec. 1001(b), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 497, inserted “or a rural resident”.

<sup>2</sup> Sec. 4(a), Senior Citizens Housing Act of 1962, Public Law 87-723, approved September 28, 1962, 76 Stat. 670, 671, added “or that he is an elderly person in a rural area without an adequate dwelling or related facilities for his own use, Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended this section as set forth in the text.

<sup>3</sup> Sec. 807(b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, added the remainder of this clause.

<sup>4</sup> Sec. 520 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended section 501(c).



at the appropriate time or times for the purposes for which such payments are made, and after October 1, 1977, if the prepayments made by the borrower are not sufficient to pay the amount due, advances may be made by the Secretary to pay these costs in full, which advances shall be charged to the account of the borrower and bear interest and be payable in a timely fashion not to exceed two years, as determined by the Secretary.<sup>1</sup> The Secretary shall notify a borrower in writing when his loan payments are delinquent.<sup>2</sup>

(f) With respect to any limitation on the amount of any loan which may be made, insured, or guaranteed under this title for the purchase of a dwelling unit, the Secretary may increase such amount by up to 20 percent if such increase is necessary to account for the increased cost of the dwelling unit due to the installation of a solar energy system (as defined in subparagraph (3) of the last paragraph of section 2(a) of the National Housing Act) therein.<sup>3</sup>

#### LOANS FOR HOUSING AND BUILDINGS ON ADEQUATE FARMS

Sec. 502. (a) If the Secretary determines that an applicant is eligible for assistance as provided in section 501 and that the applicant has the ability to repay in full the sum to be loaned, with interest, giving due consideration to the income and earning capacity of the applicant and his family from the farm and other sources, and the maintenance of a reasonable standard of living for the owner and the occupants of said farm, a loan may be made by the Secretary to said applicant for a period of not to exceed thirty-three years from the making of the loan with interest, in the case of applicants described in clauses (1) and (2) of section 501(a), at a rate not to exceed 5 per centum<sup>4</sup> per annum on the unpaid balance of principal, and, in the case of applicants described in clause (3) of section 501(a) and applicants under sections 503 and 504, at a rate not to exceed 4 per centum per annum on such unpaid balance. Loans made or insured under this title shall be conditioned on the borrower paying such fees and other charges as the Secretary may require. The<sup>5</sup> Secretary may accept the personal liability of any person with adequate repayment ability who will cosign the applicant's note to compensate for any deficiency in the applicant's repayment ability and on the borrower prepaying to the Secretary as escrow agent, on terms and conditions prescribed by him, such taxes, insurance, and other expenses as the Secretary may require in accordance with section 501(e).<sup>6</sup>

<sup>1</sup> The Housing and Urban Development Act of 1977, Public Law 95-123, approved October 12, 1977, amended this subsection as set forth in the text.

<sup>2</sup> Sec. 505(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 501 of Housing Act of 1949 by adding a new sec. (e); Housing and Community Development Act of 1977, Public Law 95-123, approved October 12, 1977, amended this section as set forth in the text.

<sup>3</sup> Added of Sec. 248(c); National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.

<sup>4</sup> Sec. 1002, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1966, 79 Stat. 451, 497, increased from 4 per centum to 5 per centum the maximum interest rate on direct loans to owners of farms and to owners of other real estate in rural areas, but made no change in the 4 per centum interest rate ceiling on loans to (a) elderly persons in rural areas, and (b) on specialized loans under secs. 503 and 504. Section 1002 of the Housing and Urban Development Act of 1965 also inserted the sentence that immediately follows which authorizes the Secretary of Agriculture to charge fees on all farm housing loans.

<sup>5</sup> Sec. 802, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, amended this sentence to permit the Secretary of Agriculture to accept a cosigner in the case of any applicant for a rural housing loan. This sentence, which has been added by sec. 4(a), Senior Citizens Housing Act of 1962, Public Law 87-723, approved September 28, 1962, 76 Stat. 670, 671, permitted cosigners only in the case of loans made to the elderly.

<sup>6</sup> Sec. 505(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "and on the borrower prepaying to the Secretary as escrow agent, on terms and conditions prescribed by him, such taxes, insurance, and other expenses as the Secretary may require in accordance with section 501(e)".

(b) The instruments under which the loan is made and the security given shall—

(1) provide for security upon the applicant's equity in the farm or such other security or collateral, if any, as may be found necessary by the Secretary reasonably to assure repayment of the indebtedness;

(2) provide for the repayment of principal and interest in accordance with schedules and repayment plans prescribed by the Secretary;

(3) except for guaranteed loans,<sup>1</sup> contain the agreement of the borrower that he will, at the request of the Secretary, proceed with diligence to refinance the balance of the indebtedness through cooperative or other responsible private credit sources whenever the Secretary determines, in the light of the borrower's circumstances, including his earning capacity and the income from the farm, that he is able to do so upon reasonable terms and conditions;

(4) be in such form and contain such covenants as the Secretary shall prescribe to secure the payment of the loan with interest, protect the security, and assure that the farm will be maintained in repair and that waste and exhaustion of the farm will be prevented.

#### LOANS FOR HOUSING AND BUILDINGS ON ADEQUATE FARMS

SEC. 503. If the Secretary determines (a) that, because of the inadequacy of the income of an eligible applicant from the farm to be improved and from other sources, said applicant may not reasonably be expected to make annual repayments of principal and interest in an amount sufficient to repay the loan in full within the period of time prescribed by the Secretary as authorized in this title; (b) that the income of the applicant may be sufficiently increased within a period of not to exceed five years by improvement or enlargement of the farm or an adjustment of the farm practices or methods; and (c) that the applicant has adopted and may reasonably be expected to put into effect a plan of farm improvement, enlargements, or adjusted practices or production which, in the opinion of the Secretary, will increase the applicant's income from said farm within a period of not to exceed five years to the extent that the applicant may be expected thereafter to make annual repayments of principal and interest sufficient to repay the balance of the indebtedness less payments in cash and credits for the contributions to be made by the Secretary as hereinafter provided, the Secretary may make a loan in an amount necessary to provide adequate farm dwellings and buildings on said farm under the terms and conditions prescribed in section 502. In addition, the Secretary may agree with the borrower to make annual contributions during the said five-year period in the form of credits on the borrower's indebtedness in an amount not to exceed the annual installment of interest and 50 per centum of the principal payments accruing during any installment year up to and including the fifth installment year, subject to the conditions that the borrower's income is, in fact, insufficient to enable the borrower to make payments in accordance with the plan or schedule prescribed by the Secretary and that the borrower pursues his plan of farm reorganization and improvements or enlargement with due diligence.

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Sec. 502(b) (3) by inserting "except for guaranteed loans".



This agreement with respect to credits or principal and interest upon the borrower's indebtedness shall not be assignable nor accrue to the benefit of any third party without the written consent of the Secretary and the Secretary shall have the right, at his option, to cancel the agreement upon the sale of the farm or the execution or creation of any lien thereon subsequent to the lien given to the Secretary, or to refuse to release the lien given to the Secretary except upon payment in cash of the entire original principal plus accrued interest thereon less actual cash payments of principal and interest when the Secretary determines that the release of the lien would permit the benefits of this section to accrue to a person not eligible to receive such benefits.

OTHER SPECIAL LOANS AND GRANTS FOR MINOR IMPROVEMENTS  
TO FARM HOUSING AND BUILDINGS

REHABILITATION LOANS AND GRANTS

SEC. 504. (a) In the event the Secretary determines that an eligible applicant cannot qualify for a loan under the provisions of sections 502 and 503 and that repairs or improvements should be made to a rural dwelling occupied by him in order to make such dwelling safe and sanitary and remove hazards to the health of the occupant, his family, or the community, and that repairs should be made to farm buildings in order to remove hazards and make such buildings safe, the Secretary may make a grant or a combined loan and grant to the applicant to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, supplying screens, repairing or providing structural supports, or making similar repairs, additions, or improvements, including all preliminary and installation costs in obtaining central water and sewer service. No assistance shall be extended to any one individual under this subsection in the form of a loan, grant, or combined loan and grant in excess of \$5,000. Any portion of the sums advanced to the borrower treated as a loan shall be secured and be repayable within twenty years in accordance with the principles and conditions set forth in this title, except that a loan for less than \$2,500 need be evidenced only by a promissory note. Sums made available by grant may be made subject to the conditions set forth in this title for the protection of the Government with respect to contributions made on loans made by the Secretary.<sup>1</sup>

(b) In order to encourage adequate family-size farms the Secretary may make loans under this section and section 503 to any applicant whose farm needs enlargement or development in order to provide income sufficient to support decent, safe, and sanitary housing and other farm buildings, and may use the funds made available under clause (b) of section 513 for such purposes.

(c) <sup>2</sup> (1) In addition to other duties specified in this section, the Secretary shall develop and conduct a weatherization program for the purpose of making grants to finance the purchase or installation, or both, of weatherization materials in dwelling units occupied by low-income families. Such grants shall be made to low-income families

<sup>1</sup> Sec. 505 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted a new section 504(a).

<sup>2</sup> This subsection was added by Sec. 232, National Energy Conservation Policy Act, Pub. Law 95-619, 92 Stat. 3206, approved November 9, 1978.



who own dwelling units or, subject to the provisions of paragraph (2), to owners of such units for the benefit of the low-income tenants residing therein. In making grants under this subsection, the Secretary shall give priority to the weatherization of dwelling units occupied by low-income elderly or handicapped persons. The Secretary shall, in carrying out this section, consult with the Director of the Community Services Administration and the Secretary of Energy for the purpose of coordinating the weatherization program under this subsection, section 222(a)(12) of the Economic Opportunity Act of 1964, and part A of the Energy Conservation in Existing Buildings Act of 1976,

(2) In the case of any grant made under this subsection to an owner of a rental dwelling unit the Secretary shall provide that (A) the benefits of weatherization assistance in connection with such unit will accrue primarily to the low-income family residing therein, (B) the rents on such dwelling unit will not be raised because of any increase in value thereof due solely to weatherization assistance provided under this subsection, and (C) no undue or excessive enhancement will occur to the value of such unit.

(3) In carrying out this subsection, the Secretary shall (A) implement the weatherization standards described in paragraphs (2)(A) and (3) of section 413(b) of the Energy Conservation in Existing Buildings Act of 1976, and (B) provide that, with respect to any dwelling unit, not more than \$800 of any grant made under this section be expended on weatherization materials and related matters described in section 415(c) of the Energy Conservation in Existing Buildings Act of 1976, except that the Secretary shall increase such amount to not more than \$1,500 to cover labor costs in areas where the Secretary, in consultation with the Secretary of Labor, determines there is an insufficient number of volunteers and training participants and public service employment workers, assisted pursuant to the Comprehensive Employment and Training Act of 1973 or the Older American Community Service Employment Act, available to work on weatherization projects under the supervision of qualified supervisors.

(4) For purposes of this subsection, the term "elderly," "handicapped person," "low income," and "weatherization materials" shall have the same meanings given such terms in paragraphs (3), (5), (7), and (9), respectively, of section 412 of the Energy Conservation in Existing Buildings Act of 1976.

#### MORATORIUM ON PAYMENTS UNDER LOANS

**Sec. 505.** During any time that any such loan is outstanding, the Secretary is authorized under regulations to be prescribed by him to grant a moratorium upon the payment of interest and principal on such loan for so long a period as he deems necessary, upon a showing by the borrower that due to circumstances beyond his control, he is unable to continue making payments of such principal and interest when due without unduly impairing his standard of living. In cases of extreme hardship under the foregoing circumstances, the Secretary is further authorized to cancel interest due and payable on such loans during the moratorium. Should any foreclosure of such a mortgage securing such a loan upon which a moratorium has been granted occur, no deficiency judgment shall be taken against the mortgagor if he shall have faithfully tried to meet his obligation.

## TECHNICAL SERVICES AND RESEARCH

SEC. 506. (a) In connection with financial assistance authorized in this<sup>1</sup> title the Secretary shall require that all new buildings and repairs financed under this title shall be substantially constructed and in accordance with such building plans and specifications as may be required by the Secretary. Buildings and repairs constructed with funds advanced pursuant to this title shall be supervised and inspected as required by the Secretary.<sup>2</sup> In addition to the financial assistance authorized in this title the Secretary is authorized to furnish, through such agencies as he may determine, to any person, including a person eligible for financial assistance under this title, without charge or at such charges as the Secretary may determine, technical services such as building plans, specifications, construction supervision and inspection, and advice and information regarding farm dwellings and other buildings.

(b)<sup>3</sup> The Secretary is further authorized and directed to conduct research, technical studies, and demonstrations relating to the mission and programs of the Farmers Home Administration and the national housing goals defined in section 2 of this Act. In connection with such activities, the Secretary shall seek to promote the construction of adequate farm and other rural housing, with particular attention to the housing needs of the elderly, handicapped, migrant and seasonal farmworkers, Indians and other identifiable groups with special needs. The Secretary shall conduct such activities for the purposes of stimulating construction and improving the architectural design and utility of dwellings and buildings.

(c) The Secretary is further authorized to carry out a program of research, study, and analysis of farm housing in the United States to develop data and information on—

- (1) the adequacy of existing farm housing;
- (2) the nature and extent of current and prospective needs for farm housing, including needs for financing and for improved design, utility, and comfort, and the best methods of satisfying such needs;
- (3) problems faced by farmers and other persons eligible under section 501 in purchasing, constructing, improving, altering, repairing, and replacing farm housing;
- (4) the interrelation of farm housing problems and the problems of housing in urban and suburban areas; and
- (5) any other matters bearing upon the provision of adequate farm housing.

## RESEARCH AND STUDY PROGRAMS

(d) In order to carry out this section, the Secretary shall establish a research capacity within the Farmers Home Administration which

<sup>1</sup> Sec. 12 of the President's Proclamation 3080, January 1, 1955, 20 Fed. Reg. 173, 175, provides that January 31, 1955, is determined as the date ending the period during which persons must have served in the military forces of the United States in order that such persons come within the meaning of the terms "veteran" and "deceased servicemen," contained in sec. 507, by reason of service during the period beginning June 27, 1950.

<sup>2</sup> Sec. 519(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "as required by the Secretary" for "as may be required by the Secretary, by competent employees of the Secretary".

<sup>3</sup> Amended by Sec. 502(a), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2050, approved October 31, 1978.



shall have authority to undertake, or to contract with any public or private body to undertake, research authorized by this section.<sup>1</sup>

(e) The Secretary of Agriculture shall prepare and submit to the President and to the Congress estimates of national rural housing<sup>2</sup> needs and reports with respect to the progress being made toward meeting such needs and correlate and recommend proposals for such executive action or legislation necessary or desirable for the furtherance of the national housing objective and policy established by this Act with respect to rural housing<sup>2</sup> together with such other reports or information as may be required of the Secretary by the President or the Congress.

(f) (1)<sup>3</sup> The Secretary shall conduct a study of housing which is available for migrant and settled farmworkers. In conducting such study, the Secretary shall—

(A) determine the location, number, quality, and condition of housing units which are available to such farmworkers and the cost assessed such farmworkers for occupying such units;

(B) recommend legislative, administrative, and other action (including the need for new authority for such action) which may be taken for the purpose of improving both the availability and the condition of such housing units; and

(C) determine the possible roles which individual farmworkers, farmworker associations, individual farmers, farmer associations, and public and private nonprofit agencies can perform in improving the housing conditions of farmworkers.

(2) The Secretary shall transmit the results of the study described in paragraph (1) to each House of the Congress within one year after the date of the enactment of this subsection.

#### PREFERENCE FOR VETERANS AND FAMILIES OF DECEASED SERVICEMEN

SEC. 507.<sup>4</sup> As between eligible applicants seeking assistance under sections 501 to 504, inclusive, the Secretary shall give preference to veterans and the families of deceased servicemen. As used herein, a "veteran" shall mean a person who served in the military forces of the United States during any war between the United States and any other nation or during the period beginning June 27, 1950, and ending on such date as shall be determined by Presidential proclamation, or during the period beginning after January 31, 1955, and ending on August 4, 1964, or during the Vietnam era (as defined in section 101(29) of title 38, United States Code),<sup>5</sup> and who was discharged or released therefrom on conditions other than dishonorable. "Deceased servicemen" shall mean persons who served in the military forces of the United States during any war between the United States and any other nation or during the period beginning June 27, 1950,

<sup>1</sup> Sec. 506(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended subsection (d) of sec. 506; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Sec. 506(d) to read as set forth in the text.

<sup>2</sup> Sec. 506(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted the words "rural housing" for "farm housing".

<sup>3</sup> Added by Sec. 502(b), Housing and Community Development Amendments of 1978. P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>4</sup> Sec. 12 of the President's Proclamation 3080, January 1, 1955, 20 Fed. Reg. 178, 175, provides that January 31, 1955, is determined as the date ending the period during which persons must have served in the military forces of the United States in order that such persons come within the meaning of the terms "veterans" and "deceased servicemen," contained in sec. 507, by reason of service during the period beginning June 27, 1950.

<sup>5</sup> Sec. 507(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "or during the period beginning after January 31, 1955, and ending on August 4, 1964, or during the Vietnam era (as defined in section 101(29) of title 38, United States Code)."



and ending on such date as shall be determined by Presidential proclamation, or during the period beginning after January 31, 1955, and ending on August 4, 1964, or during the Vietnam era (as defined in section 101(29) of title 38, United States Code,<sup>1</sup> and who died in service before the termination of such war or such period or era.<sup>2</sup>

#### LOCAL COMMITTEES TO ASSIST SECRETARY

SEC. 508. (a) For the purposes of this subsection and subsection (b) of this section, the Secretary may use the services of any existing committee of farmers operating (pursuant to laws or regulations carried out by the Department of Agriculture) in any county or parish in which activities are carried on under this title. In any county or parish in which activities are carried on under this title and in which no existing satisfactory committee is available, the Secretary is authorized to appoint a committee composed of three persons residing in the county or parish. Each member of such existing or newly appointed committee shall be allowed compensation at the rate determined by the Secretary while engaged in the performance of duties under this title and, in addition, shall be allowed such amounts as the Secretary may prescribe for necessary traveling and subsistence expenses. One member of the committee shall be designated by the Secretary as chairman. The Secretary shall prescribe rules governing the procedures of the committee, furnish forms and equipment necessary for the performance of their duties, and authorize and provide for the compensation of such clerical assistance as he deems may be required by any committee.

#### UTILIZATION OF COUNTY COMMITTEES

(b) The committees utilized or appointed pursuant to this section may examine applications of persons desiring to obtain the benefits of section 501(a) (1) and (2) as they relate to the successful operation of a farm, and may submit recommendations to the Secretary with respect to each applicant as to whether the applicant is eligible to receive such benefits, whether by reason of his character, ability, and experience he is likely successfully to carry out undertakings required of him under a loan under such section, and whether the farm with respect to which the application is made is of such character that there is a reasonable likelihood that the making of the loan requested will carry out the purposes of this title. The committees may also certify to the Secretary with respect to the amount of any loan.<sup>3</sup>

#### GENERAL POWERS OF SECRETARY

SEC. 509. (a) The Secretary, for the purposes of this title, shall have the power to determine and prescribe the standards of adequate farm housing and other buildings, by farms or localities, taking into consideration, among other factors, the type of housing which will provide decent, safe, and sanitary dwelling for the needs of the family using the housing, the type and character of the farming operations to be conducted, and the size and earning capacity of the land.

<sup>1</sup> See footnote 5 on previous page.

<sup>2</sup> Sec. 507(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "or era".

<sup>3</sup> Sec. 508 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 508(b).

(b) The Secretary may require any recipient of a loan or grant to agree that the availability of improvements constructed or repaired with the proceeds of the loan or grant under this title shall not be a justification for directly or indirectly changing the terms or conditions of the lease or occupancy agreement with the occupants of such farms to the latter's disadvantage without the approval of the Secretary.

(c) <sup>1</sup>The Secretary is authorized, after October 1, 1977, with respect to any unit or dwelling newly constructed during the period beginning eighteen months prior to the date of enactment of the Housing and Community Development Act of 1977 and purchased with financial assistance authorized by this title which he finds to have structural defects to make expenditures for (1) correcting such defects, (2) paying the claims of the owner of the property arising from such defects, or (3) acquiring title to the property, if such assistance is requested by the owner of the property within eighteen months after financial assistance under this title is rendered to the owner of the property or, in the case of property with respect to which assistance was made available within eighteen months prior to the date of enactment of the Housing and Community Development Act of 1977, within eighteen months after such date of enactment. Expenditures pursuant to this subsection may be paid from the Rural Housing Insurance Fund. Decisions by the Secretary regarding such expenditures or payments under this subsection, and the terms and conditions under which the same are approved or disapproved, shall not be subject to judicial review.

"(d) The Secretary shall, by regulation, prescribe the terms and conditions under which expenditures and payments may be made under the provisions of this section.

#### ADMINISTRATIVE PROVISIONS

SEC. 510. In carrying out the provisions of this title, the Secretary shall have the power to—

(a) make contracts for services and supplies without regard to the provisions of section 3709 of the Revised Statutes, as amended, when the aggregate amount involved is less than \$300;

(b) enter into subordination, subrogation, or other agreements satisfactory to the Secretary;

(c) compromise claims and obligations arising out of sections 502 to 505, inclusive, of this title and adjust and modify the terms of mortgages, leases, contracts, and agreements entered into as circumstances may require, including the release from personal liability, without payments of further consideration, of—

(1) borrowers who have transferred their farms to other approved applicants for loans who have agreed to assume the outstanding indebtedness to the Secretary under this title; and

(2) borrowers who have transferred their farms to other approved applicants for loans who have agreed to assume that portion of the outstanding indebtedness to the Secretary under this title which is equal to the earning capacity value of the farm at the time of the transfer, and borrowers whose farms have been acquired by the Secretary, in cases where the

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, added subsections (c) and (d).

Secretary determines that the original borrowers have cooperated in good faith with the Secretary, have farmed in a workmanlike manner, used due diligence to maintain the security against loss, and otherwise fulfilled the covenants incident to their loans, to the best of their abilities;

(d) collect all claims and obligations arising out of or under any mortgage, lease, contract, or agreement entered into pursuant to this title and, if in his judgment necessary and advisable, to pursue the same to final collection in any court having jurisdiction: *Provided*, That the prosecution and defense of all litigation under this title shall be conducted under the supervision of the Attorney General and the legal representation shall be by the United States attorneys for the districts, respectively, in which such litigation may arise and by such other attorney or attorneys as may, under law, be designated by the Attorney General;

(e) bid for and purchase at any foreclosure or other sale or otherwise to acquire the property pledged or mortgaged to secure a loan or other indebtedness owing under this title, to accept title to any property so purchased or acquired, to operate or lease such property for such period as may be necessary or advisable, to protect the interest of the United States therein and to sell or otherwise dispose of the property so purchased or acquired by such terms and for such considerations as the Secretary shall determine to be reasonable and to make loans as provided herein to provide adequate farm dwellings and buildings for the purchasers of such property;

(f)<sup>1</sup> continue processing as expeditiously as possible applications on hand received prior to the time an area has been determined by the Secretary not to be "rural" or a "rural area", as those terms are defined in section 520, and make loans or grants to such applicants who are found to be eligible on the same basis as though the area were still rural;

(g) issue rules and regulations which assure that applicants denied assistance under this title or persons or organizations whose assistance under this title is being substantially reduced or terminated are given written notice of the reasons for denial, reduction or termination and are provided at least an opportunity to appeal an adverse decision and to present additional information relevant to that decision to a person, other than the person making the original determination, who has authority to reverse the decision;<sup>2</sup>

(h)<sup>2</sup> notwithstanding that an area ceases, or has ceased, to be "rural", in a "rural area", or an eligible area, make assistance under this title available in connection with transfers and assumptions of property securing any loan made, insured, or held by the Secretary or in connection with any property held by the Secretary under this title on the same basis as though the area were still rural;

(i)<sup>2</sup> utilize with respect to the indebtedness arising from loans and payments made under this title, all the powers and authorities

<sup>1</sup> Sec. 25(c) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 510 of the Housing Act of 1949 by redesignating subsections "(f)" and "(g)" as subsections "(h)" and "(i)" and inserting new subsections "(f)" and "(g)".

<sup>2</sup> Sec. 503, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, redesignates former subsections (g), (h), and (i) as subsections (h), (i), and (j), respectively and added new section (g).



given to him under the Act approved December 20, 1944, entitled "An Act to authorize the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness, and for other purposes" (58 Stat. 836), as such Act now provides or may hereafter be amended;

(j)<sup>1</sup> make such rules and regulations as he deems necessary to carry out the purpose of this title.

#### LOAN FUNDS

SEC. 511. The Secretary may issue notes and other obligations for purchase by the Secretary of the Treasury for the purpose of making direct loans under this title.<sup>2</sup> The total principal amount of such notes and obligations issued pursuant to this section during the period beginning July 1, 1956, and ending October 1, 1969,<sup>3</sup> shall not exceed \$850,000,000. The notes and obligations issued by the Secretary shall be secured by the obligations of borrowers and the Secretary's commitments to make contributions under this title and shall be repaid from the payment of principal and interest on the obligations of the borrowers and from funds appropriated hereunder. The notes and other obligations issued by the Secretary shall be in such forms and denominations, shall have such maturities, and shall be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Each <sup>4</sup> such note or other obligation shall bear interest at the average rate, as determined by the Secretary of the Treasury, payable by the Treasury upon its marketable public obligations outstanding at the beginning of the fiscal year in which such note or other obligation is issued, which are neither due nor callable for redemption for 15 years from their date of issue. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Secretary issued hereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or obligations shall be treated as public debt transactions of the United States.

#### CONTRIBUTIONS

SEC. 512. In connection with loans made pursuant to section 503, the Secretary is authorized to make commitments for contributions aggre-

<sup>1</sup> Sec. 503. Housing and Community Development Amendments of 1978, P.L. 95-557. 92 Stat. 2080, approved October 31, 1978, redesignates former subsections (g), (h), and (i) as subsections (h), (i), and (j), respectively and added new section (g).

<sup>2</sup> Sec. 1003(b)(1), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 500, inserted the word "direct" and deleted the remainder of this sentence which read "(other than loans under section 504(b) or 515(a))."

<sup>3</sup> Sec. 1003(2), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 500, substituted "October 1, 1969" for "September 30, 1965", and deleted the provision which had earmarked \$50,000,000 exclusively for loans to assist in the construction and repair of dwellings and related facilities for elderly persons in rural areas. However, see the new sec. 517 that establishes a rural housing insurance fund that will be used for, among other purposes, elderly rental housing loans. See Participation Sales.

<sup>4</sup> Immediately prior to amendment by sec. 1003(b)(3), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 501, this sentence reads as follows:

"Such notes or obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the notes or obligations by the Secretary."

gating not to exceed \$10,000,000 during the period beginning July 1, 1956, and ending October 1, 1969.<sup>1</sup>

SEC. 513. There is hereby authorized to be appropriated to the Secretary (a) such sums as may be necessary to meet payments on notes or other obligations issued by the Secretary under section 511 equal to (i) the aggregate of the contributions made by the Secretary in the form of credits on principal due on loans made pursuant to section 503, and (ii) the interest due on a similar sum represented by notes or other obligations issued by the Secretary; (b) not to exceed \$105,000,000<sup>2</sup> for loans and grants pursuant to section 504 during the period beginning July 1, 1956, and ending October 31, 1978,<sup>3</sup> and not to exceed \$48,000,000 for the fiscal year ending September 30, 1979,<sup>4</sup> except that not less than \$25,000,000 of any amount authorized to be appropriated for the fiscal year ending September 30, 1979, is authorized to be appropriated for making grants pursuant to section 504(c)<sup>5</sup>; (c) not to exceed \$105,000,000<sup>6</sup> for financial assistance pursuant to section 516 for the period ending September 30, 1978,<sup>7</sup> and not to exceed \$38,000,000 for the fiscal year ending September 30, 1979<sup>8</sup>; (d) not to exceed \$10,000,000 for research and study programs pursuant to subsections (b), (c), and (d) of section 506 for the fiscal year ending September 30, 1979;<sup>9</sup> (e) such further sums as may be necessary to enable the Secretary to carry out the provisions of this title; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act.

#### INSURANCE OF LOANS FOR THE PROVISION OF HOUSING AND RELATED FACILITIES FOR DOMESTIC FARM LABOR

SEC. 514. (a)<sup>10</sup> The Secretary is authorized to insure and make commitments to insure loans made by lenders other than the United States to the owner of any farm or any association of farmers for the purpose of providing housing and related facilities for domestic farm

<sup>1</sup> Sec. 1005(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 501, substituted "October 1, 1969" for "September 30, 1965".

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "\$80,000,000" and inserted in lieu thereof "\$105,000,000".

<sup>3</sup> Sec. 509 of Housing and Community Development Act of 1974, Public Law 93-383 88 Stat. 633, approved August 22, 1974, amended subsections (b), (c) and (d). Prior to enactment of this Act these subsections read as follows: (b) not to exceed \$50,000,000 for grants pursuant to section 504(a) and loans pursuant to section 504(b) during the period beginning July 1, 1956, and ending October 1, 1974; (c) not to exceed \$50,000,000 for financial assistance pursuant to section 516 for the period ending October 1, 1974; (d) not to exceed \$250,000 per year for research and study programs pursuant to subsections (b), (c), and (d) of section 506 during the period beginning July 1, 1961, and ending October 1, 1974. Housing and Community Development Act of 1977, Public Law 95-60, approved June 30, 1977, deleted "June 30, 1977" in paragraphs (b), (c) and (d) and inserted in lieu thereof "July 31, 1977"; Public Law 95-80, approved July 31, 1977, deleted "July 31, 1977" in paragraphs (b), (c) and (d) and inserted in lieu thereof "September 30, 1977"; Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "September 30, 1977" and inserted in lieu thereof "September 30, 1978".

<sup>4</sup> This clause was added by Sec. 501(a), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 approved October 31, 1978.

<sup>5</sup> Amended by Sec. 232(b), National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

<sup>6</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, deleted "\$80,000,000" and inserted in lieu thereof "\$105,000,000".

<sup>7</sup> See footnote 3 above.

<sup>8</sup> This clause was added by Housing and Community Development Amendments of 1978, Sec. 501(b), P.L. 95-557, 92 Stat. 2080, approved October 30, 1978.

<sup>9</sup> Amended by Housing and Community Development Amendments of 1978, Sec. 501(c), P.L. 95-557, 92 Stat. 2080, approved October 30, 1978.

<sup>10</sup> Sec. 801(a), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1805, amended that part of section 514(a) that precedes paragraph (1) to authorize the Secretary of Agriculture to insure loans for farm labor housing made by private lenders to broad-based public or private nonprofit organizations of farmworkers incorporated within the State.



labor, or to any State (or political subdivision thereof), or any broad-based public or private nonprofit organization or any nonprofit organization of farmworkers incorporated within the State for the purpose of providing housing and related facilities for domestic farm labor any place within the State where a need exists. All such loans shall be made in accordance with terms and conditions substantially identical with those specified in section 502, except that—

(1) no such loan shall be insured in an amount in excess of the value of the farm involved less any prior liens in the case of a loan to an individual owner of a farm, or the total estimated value of the structures and facilities with respect to which the loan is made in the case of any other loan;

(2) no such loan shall be insured if it bears interest at a rate in excess of 1 per centum per annum;<sup>4</sup>

(3) out of interest payments by the borrower the Secretary shall retain a charge in an amount not less than one-half of 1 per centum per annum of the unpaid principal balance of the loan;

(4) the insurance contracts and agreements with respect to any loan may contain provisions for servicing the loan by the Secretary or by the lender, and for the purchase by the Secretary of the loan if it is not in default, on such terms and conditions as the Secretary may prescribe; and

(5) the Secretary may take mortgages creating a lien running to the United States for the benefit of the insurance fund referred to in subsection (b) notwithstanding the fact that the note may be held by the lender or his assignee.

(b) The Secretary shall utilize the insurance fund created by section 11 of the Bankhead-Jones Farm Tenant Act (7 U.S.C. 1005a) and the provisions of section 13(a), (b), and (c) of such Act (7 U.S.C. 1005c (a), (b), and (c)) to discharge obligations under insurance contracts made pursuant to this section, and

(1) the Secretary may utilize the insurance fund to pay taxes, insurance, prior liens, and other expenses to protect the security for loans which have been insured hereunder and to acquire such security property at foreclosure sale or otherwise;

(2) the notes and security therefor acquired by the Secretary under insurance contracts made pursuant to this section shall become a part of the insurance fund. Loans insured under this section may be held in the fund and collected in accordance with their terms or may be sold and reinsured. All proceeds from such collections, including the liquidation of security and the proceeds of sales, shall become a part of the insurance fund; and

(3) of the charges retained by the Secretary out of interest payments by the borrower, amounts not less than one-half of 1 per centum per annum of the unpaid principal balance of the loan shall be deposited in and become a part of the insurance fund. The remainder of such charges shall be deposited in the Treasury of the United States and shall be available for administrative expenses of the Farmers Home Administration, to be transferred annually to and become merged with any appropriation for such expenses.

(c) Any contract of insurance executed by the Secretary under this section shall be an obligation of the United States and incontestable

<sup>4</sup> Sec. 801(b), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1806, reduced the maximum interest rate on insurable loans from 5 per centum to 1 per centum per annum.



except for fraud or misrepresentation of which the holder of the contract has actual knowledge.

(d) The aggregate amount of the principal obligations of the loans insured under this section shall not exceed \$33,000,000 (subject to approval in an Appropriation Act) <sup>1</sup> in any one fiscal year.

(e) Amounts made available pursuant to section 513 of this Act shall be available for administrative expenses incurred under this section.

(f) As used in this section—

(1) the term “housing” means (A) new structures (including <sup>2</sup> household furnishings) suitable for dwelling use by domestic farm labor, and (B) existing structures (including <sup>1</sup> household furnishings) which can be made suitable for dwelling use by domestic farm labor by rehabilitation, alteration, conversion, or improvement; and

(2) the term “related facilities” means (A) new structures (including <sup>2</sup> household furnishings) suitable for use as dining halls, community rooms or buildings, or infirmaries, or for other essential services facilities, (B) existing structures (including <sup>2</sup> household furnishings) which can be made suitable for the above uses by rehabilitation, alteration, conversion, or improvement and (C) <sup>3</sup> and necessary for an adequate site; and

(3) <sup>4</sup> the term “domestic farm labor” means persons who receive a substantial portion (as determined by the Secretary) of their income as laborers on farms situated in the United States, Puerto Rico, or the Virgin Islands and either (A) are citizens of the United States, or (B) reside in the United States, Puerto Rico, or the Virgin Islands after being legally admitted for permanent residence therein.

(g) <sup>5</sup> The Secretary may waive the interest rate limitation contained in subsection (a) (2) and the requirement of section 501(c) (3) in any case in which the Secretary determines that qualified public or private nonprofit sponsors are not currently available and are not likely to become available within a reasonable period of time and such waiver is necessary to permit farmers to provide housing and related facilities for migrant domestic farm laborers, except that the benefits resulting from such waiver shall accrue to the tenants, and the interest rate on a loan insured under this section and for which the Secretary permits such waiver shall be no less than one-eighth of 1 per centum above the average interest rate on notes or other obligations which are issued under section 511 and have maturities comparable to such a loan.

\* \* \* \* \*

<sup>1</sup> Amended by Sec. 501(d), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 801(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1806, inserted “(including household furnishings)”.

<sup>3</sup> Sec. 1004, Housing and Urban Development Act of 1968, Public Law 90-448, approved Aug. 1, 1968, 82 Stat. 476, 553, added clause (C).

<sup>4</sup> Immediately prior to amendment by sec. 502, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 796, this paragraph read as follows:

“(3) the term ‘domestic farm labor’ means persons who receive a substantial portion (as determined by the Secretary) of their income as laborers on farms situated in the United States.”

Prior to amendment by Housing and Community Development Act of 1977, Public Law 95-128 approved Oct. 12, 1977, this paragraph reads as follows:

“(3) the term ‘domestic farm labor’ means persons who receive a substantial portion (as determined by the Secretary) of their income as laborers on farms situated in the United States and either (A) are citizens of the United States or (B) reside in the United States after being legally admitted for permanent residence therein.”

<sup>5</sup> Sec. 504 of Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080 amended section 514 by adding subsection (g) at the end thereof.

DIRECT AND INSURED LOANS TO PROVIDE HOUSING AND RELATED FACILITIES  
FOR ELDERLY PERSONS AND FAMILIES IN RURAL AREAS

SEC. 515.<sup>1</sup> (a) The Secretary is authorized to make loans to private nonprofit corporations and consumer cooperatives to provide rental or cooperative housing and related facilities for elderly or handicapped persons or families<sup>2</sup> of low or moderate income or other persons and families of low income in rural areas, in accordance with terms and conditions substantially identical with those specified in section 502; except that—

(1) no such loan shall exceed the development cost or the value of the security, whichever is less;

(2) such loans shall bear interest at rates determined by the Secretary, not to exceed the maximum rate provided in section 202(a) (3) of the Housing Act of 1959; and

(3) such a loan may be made for a period of up to fifty years from the making of the loan.

There is authorized to be appropriated not to exceed \$50,000,000, which shall constitute a revolving fund to be used by the Secretary in carrying out this subsection.

(b) The Secretary is authorized to insure and make commitments to insure loans made to any individual, corporation, association, trust, or partnership to provide rental or cooperative housing and related facilities for elderly or handicapped persons or families<sup>2</sup> or other persons and families of moderate income in rural areas, in accordance with terms and conditions substantially identical with those specified in section 502; except that—

(1) no such loan shall exceed<sup>3</sup> the development cost or the value of the security, whichever is less;<sup>4</sup>

(2) such loans shall bear interest at rates determined by the Secretary, not to exceed the maximum rate provided in section 203(b) (5) of the National Housing Act;

(3) provide for complete amortization by periodic payments within such term as the Secretary may prescribe;

(4) for insuring such loans, the Secretary shall utilize the Agricultural Credit Insurance Fund subject to all the provisions of section 309 and the second and third sentences of section 308 of the Consolidated Farmers Home Administration Act of 1961, including the authority in section 309(f) (1) of that Act to utilize the insurance fund to make, sell, and insure loans which could be insured under this subsection; but the aggregate of the principal amounts of such loans made by the Secretary and not disposed of

<sup>1</sup> Sec. 4(b), Senior Citizens Housing Act of 1962, Public Law 87-723, approved September 28, 1962, 76 Stat. 670, 671, added sec. 515.

Sec. 804 (a) and (b), Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, amended sec. 515 to expand the purposes of direct loans to private nonprofit corporations and consumer cooperatives to include rental housing for the low-income rural nonelderly. Prior to this amendment such loans were restricted to housing for the rural elderly of low or moderate income. Sec. 805(a) of the Demonstration Cities and Metropolitan Development Act of 1966, amended sec. 515 to make cooperative housing eligible for direct or insured rural housing loans. Prior to this amendment such loans could be made to consumer cooperatives, but only for the purpose of "rental" housing. Sec. 805(b) of the Demonstration Cities and Metropolitan Development Act of 1966, also amended sec. 515 to make insured rural housing loans available for housing for the rural nonelderly with moderate incomes, as well as for the rural elderly.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved Oct. 12, 1977, deleted "elderly persons and elderly families" and inserted in lieu thereof "elderly or handicapped persons or families" in sec. 515 (a) and (b).

<sup>3</sup> Sec. 510(a) (1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted "\$750,000 or".

<sup>4</sup> Sec. 510(a) (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted the word "less" for "least".



shall not exceed \$10,000,000 outstanding at any one time; and the Secretary may take liens running to the United States though the notes may be held by other lenders; and

(5) no loan shall be insured under this subsection after September 30, 1979.<sup>1</sup>

(c) No loan shall be made or insured under subsection (a) or (b) unless the Secretary finds that the construction involved will be undertaken in an economical manner and will not be of elaborate or extravagant design or materials. However, specifically designed equipment required by elderly or handicapped persons or families shall not be considered elaborate or extravagant.<sup>2</sup>

(d) As used in this section—

(1) the term "housing" means new or existing housing suitable for dwelling use by occupants eligible under this section; and such term also means congregate housing facilities for elderly or handicapped persons or families who require some supervision and central services but are otherwise able to care for themselves; such housing for the handicapped may be utilized in conjunction with educational and training facilities;<sup>3</sup>

(2) the term "related facilities" includes cafeterias or dining halls, community rooms or buildings, appropriate recreation facilities, and other essential service facilities;

(3) the term "congregate housing" means housing in which (A) some of the units may not have kitchen facilities, and (B) there is a central dining facility to provide wholesome and economic meals for elderly or handicapped persons or families;<sup>4</sup> and

(4) the term "development cost" means the costs of constructing, purchasing, improving, altering, or repairing new or existing housing and related facilities and purchasing and improving the necessary land, including necessary and appropriate fees and charges, and initial operating expenses up to 2 per centum of the aforementioned costs, approved by the Secretary. Such fees and charges may include payments of qualified consulting organizations or foundations which operate on a nonprofit basis and which render services or assistance to nonprofit corporations or con-

<sup>1</sup> Sec. 1 of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, substituted "January 1, 1970" for "October 1, 1969", and sec. 413(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 398, substituted "October 1, 1973" for "January 1, 1970". The original termination date (June 30, 1964) was extended to September 30, 1964, by Public Law 88-340, approved June 30, 1964, 78 Stat. 233, and extended to September 30, 1965, by sec. 501(d)(2), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 796, and further extended to October 1, 1969, by sec. 1005(c), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 501, Sec. 13(b) of Public Law 93-117, 87 Stat. 421, approved October 2, 1973, substituted "October 1, 1974" for "October 1, 1973". Sec. 509(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974".

Public Law 95-60, approved June 30, 1977, amended section 515(b)(5) by deleting "June 30, 1977" and inserting in lieu thereof "July 31, 1977"; Public Law 95-80, approved July 31, 1977, deleted "July 31, 1977" and inserted in lieu thereof "September 30, 1977"; Public Law 95-128, approved October 12, 1977, deleted "September 30, 1977" and inserted in lieu thereof "September 30, 1978." This was amended further by Sec. 501(e), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended Sec. 515(c) by adding this sentence.

<sup>3</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 515(d)(1) to read as set forth in the text.

<sup>4</sup> Prior to amendment by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, section 515(d)(3) read as follows: "the term 'elderly persons' means persons who are 62 years of age or over; and the term 'elderly families' means families the head of which (or his spouse) is 62 years of age or over".



sumer cooperatives who provide housing and related facilities for low or moderate income families.<sup>1</sup>

(e) Amounts made available pursuant to section 513 of this Act shall be available for administrative expenses incurred under this section.

#### FINANCIAL ASSISTANCE TO PROVIDE LOW-RENT HOUSING FOR DOMESTIC FARM LABOR

SEC. 516.<sup>2</sup> (a) Upon the application of any State or political subdivision thereof, or any broad-based public or private nonprofit organization incorporated within the State, or any nonprofit organization of farmworkers incorporated within the State, the Secretary is authorized to provide financial assistance for the provision of low-rent housing and related facilities (which may be located any place within the State) for domestic farm labor, if he finds that—

(1) the housing and related facilities for which financial assistance is requested will fulfill a pressing need in the area in which such housing and facilities will be located, and there is reasonable doubt that the same can be provided without financial assistance under this section;

(2) the applicant will contribute, from its own resources or from funds borrowed under section 514 or elsewhere, at least 10 per centum<sup>3</sup> of the total development cost;

(3) the types of housing and related facilities to be provided are most practical, giving due consideration to the purpose to be served thereby and the needs of the occupants thereof, and<sup>4</sup> such housing and facilities shall be durable and suitable for year-around occupancy or use, unless the Secretary finds that there is no need for such year-around occupancy or use in that area; and

(4) the construction will be undertaken in an economical manner, and the housing and related facilities will not be of elaborate or extravagant design or materials.

(b) The amount of any financial assistance provided under this section for low-rent housing and related facilities shall not exceed 90<sup>5</sup> per centum of the total development cost thereof, as determined by the Secretary, less such amount as the Secretary determines can be practicably obtained from other sources (including a loan under section 514).

(c) No financial assistance for low-rent housing and related facilities shall be made available under this section unless, to any extent and for any periods required by the Secretary, the applicant agrees—

(1) that the rentals charged domestic farm labor shall not exceed such amounts as may be approved by the Secretary, giving

<sup>1</sup> Sec. 510(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended sec. 515(d)(4).

<sup>2</sup> Sec. 503(a), Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 797, 798, added sec. 516. That part of the text that immediately precedes paragraph (1) of section 516(a) was amended by sec. 801(d), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1806, to include state chartered public or private nonprofit organizations, or any nonprofit organization of farmworkers as eligible to receive financial assistance for providing low-rent housing to domestic farm labor.

<sup>3</sup> Sec. 801(d)(2), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1806, substituted "10 per centum" for "one-third".

<sup>4</sup> Sec. 801(d)(3), Housing and Urban Development Act of 1970, inserted the remainder of this paragraph (3).

<sup>5</sup> Sec. 801(d)(4), Housing and Urban Development Act of 1970, substituted "90 per centum" for "two-thirds".

due consideration to the income and earning capacity of the tenants, and the necessary costs of operating and maintaining such housing;

(2) that such housing shall be maintained at all times in a safe and sanitary condition in accordance with such standards as may be prescribed by State or local law, or, in the absence of such standards, in accordance with such minimum requirements as the Secretary shall prescribe; and

(3) an absolute priority will be given at all times in granting occupancy of such housing and facilities to domestic farm labor.

(d) The Secretary may make payments pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. In each contract, the Secretary shall include such covenants, conditions, or provisions as he deems necessary to insure that the housing and related facilities, for which financial assistance is made available, be used only in conformity with the provisions of this section.

(e) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated. The Secretary shall not give priority for funding under this section to any one of the groups listed in subsection (a) over any of the others so listed.<sup>1</sup>

(f) All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary which are undertaken by approved applicants under this section shall be paid wages at rates not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary shall not extend any financial assistance under this section for any project without first obtaining adequate assurance that these labor standards will be maintained on the construction work; except that compliance with such standards may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the person, corporation, association, organization, or other entity undertaking the project. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

(g) As used in this section—

(1) the term "low-rent housing" means rental housing within the financial reach of families of low income consisting of (A) new structures (including<sup>2</sup> household furnishings) suitable for dwelling use by domestic farm labor, and (B) existing structures (including<sup>2</sup> household furnishings) which can be made suitable for dwelling use by domestic farm labor by rehabilitation, alteration, conversion, or improvement;

(2) the terms "related facilities" and "domestic farm labor" shall have the meaning assigned to them in section 514(f); and

(3) the term "development cost" shall have the meaning assigned to it in section 515(d) (4).

<sup>1</sup> This last sentence was added by Sec. 505, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 801(c), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1806, inserted "(including household furnishings)".



## INSURED RURAL HOUSING LOANS

SEC. 517.<sup>1</sup> (a) The Secretary may insure loans meeting the requirements of section 502, and may make loans in accordance with the requirements of such section to be sold and insured; except that such loans shall—

(1) if the borrowers are persons of low or moderate income (as defined by the Secretary), (A) not exceed amounts necessary to provide adequate housing, modest in size, design, and cost (as determined by the Secretary), and (B) bear interest at a rate not to exceed 5 per centum per annum but no loan under this paragraph shall be insured or made after September 30, 1979,<sup>2</sup> except pursuant to a commitment entered into before that date; and

(2) if the borrowers are persons other than those described in clause (1), bear interest and provide for insurance or service charges at rates comparable to the combined rate of interest and premium charges in effect under section 203 of the National Housing Act, as determined by the Secretary.

(b) The Secretary may insure loans in accordance with the requirements of sections 514 (exclusive of subsections (a) (3), (a) (5), and (b)), 515 (exclusive of subsections (a) and (b) (4)), 524 and 526<sup>3</sup> and may make loans meeting such requirements to be sold and insured. Upon the expiration of ninety days after the original capitalization of the Rural Housing Insurance Fund, created by subsection (e) of this section, no new loans shall be made or insured under section 514 or 515(b), except in conformity with this section. The notes held in the Agricultural Credit Insurance Fund (7 U.S.C. 1929) which evidence loans made or insured by the Secretary under section 514 or 515(b), the rights and liabilities of that Fund under insurance contracts relating to such loans held by insured investors, the mortgages securing the obligations of the borrowers under such loans held in that Fund or by insured investors, and all rights to subsequent collections on and proceeds of such notes, contracts, and mortgages, are hereby transferred to the Rural Housing Insurance Fund and for the purposes of this title and any other Act shall be subject to the provisions of this section as if created pursuant thereto. The Rural Housing Insurance Fund shall compensate the Agricultural Credit Insurance Fund for the aggregate unpaid principal balance plus accrued interest of the notes so transferred.<sup>4</sup>

<sup>1</sup> Sec. 1003(a), Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 498, added sec. 517.

<sup>2</sup> Sec. 806, Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, approved November 3, 1966, 80 Stat. 1255, 1282, removed at this point the \$300,000,000 annual ceiling on new loans insured for families with low or moderate incomes and substituted an expiration date of October 1, 1969. This expiration date was extended to January 1, 1970, by sec. 1 of Public Law 91-78, approved September 30, 1969, 83 Stat. 125, and further extended to October 1, 1973, by sec. 413(a), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 398. Sec. 13(c) of Public Law 93-117, 87 Stat. 421, substituted "October 1, 1974" for "October 1, 1973". Sec. 509(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "June 30, 1977" for "October 1, 1974"; amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977; (Public Law 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977, to July 31, 1977; Public Law 95-80, approved July 31, 1977, had further extended the date from July 31, 1977, to September 30, 1977), further amended by Sec. 501(f), Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>3</sup> Sec. 413(f) (2), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 400, added "and 524". Sec. 516(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added "and 526".

<sup>4</sup> Sec. 517 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the last two sentences to subsection (b).



(c) The Secretary may use the Rural Housing Insurance Fund for the purpose of making loans to be sold and insured under this section.<sup>1</sup>

(d) The Secretary may, in conformity with subsections (a), (b), and (m), insure the payment of principal and interest<sup>2</sup> on loans made by lenders other than the United States, and on loans made from or otherwise acquired by the Rural Housing Insurance Fund which are sold by the Secretary. Any contract of insurance executed by the Secretary hereunder shall be an obligation supported by the full faith and credit of the United States, and shall be incontestable except for fraud or material misrepresentation of which the holder has actual knowledge. In connection with loans insured under this section, the Secretary may take liens running to the United States notwithstanding the fact that the notes evidencing such loans may be held by lenders other than the United States. Notes evidencing such loans shall be freely assignable, but the Secretary shall not be bound by any such assignment until notice thereof is given to and acknowledged by him.

(e) There is hereby created the Rural Housing Insurance Fund (hereinafter referred to as the "Fund") which shall be used by the Secretary as a revolving fund for carrying out the provisions of this section. The guaranteed loan program under this title shall be operated separately from the insured loan program operated under this title and no funds designated for one program may be transferred to another program.<sup>3</sup> There are authorized to be appropriated to the Secretary such sums as may be necessary for the purposes of the Fund.

(f) Money in the Fund not needed for current operations shall be invested in direct obligations of the United States or obligations guaranteed by the United States.

(g) All funds, claims, notes, mortgages, contracts, and property acquired by the Secretary under this section, and all collections and proceeds therefrom, shall constitute assets of the Fund; and all liabilities and obligations of such assets shall be liabilities and obligations of the Fund. Loans may be held in the Fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof. The Secretary is authorized to make agreements with respect to servicing loans held or insured by him under this section and purchasing such insured loans on such terms and conditions as he may prescribe.

(h) The Secretary is authorized to issue notes to the Secretary of the Treasury to obtain funds necessary for discharging obligations under this section and for authorized expenditures out of the Fund, but, except as may be authorized in appropriation Acts, not for the original or any additional capital of the Fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Each note shall bear interest at the average rate, as determined by the Secretary of the Treasury, payable by the Treasury upon its marketable public obligations outstanding at the beginning of the fiscal year in which such note is issued, which are neither due nor callable for redemption

<sup>1</sup> Sec. 413(b), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 398, removed at this point the \$100,000,000 limitation on the amount of new loans which may be held by the Secretary of Agriculture in the Rural Housing Insurance Fund at any one time.

<sup>2</sup> Sec. 505(c)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted the words "as it becomes due".

<sup>3</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read as set forth in the text.

for fifteen years from their date of issue. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and for that purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which such securities may be issued under such Act are extended to include purchases of notes issued by the Secretary. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States. The notes issued by the Secretary to the Secretary of the Treasury shall constitute obligations of the Fund.

(i) The Secretary may retain out of interest payments by the borrower an annual charge in an amount specified in the insurance or sale agreement applicable to the loan. Of the charges retained by the Secretary, if any, not to exceed 1 per centum per annum of the unpaid balance of the loan shall be deposited in the Fund. Any retained charges not deposited in the Fund shall be available for administrative expenses in carrying out the provisions of this title, to be transferred annually, and become merged with any appropriation for administrative expenses of the Farmers Home Administration, when and in such amounts as may be authorized in appropriation Acts.

(j) The Secretary may also utilize the Fund—

(1) to pay amounts to which the holder of the note is entitled in accordance with an insurance or sale agreement under this section accruing between the date of any payment<sup>1</sup> by the borrower to the Secretary and the date of transmittal of any such payments<sup>1</sup> to the holder of the note; and in the discretion of the Secretary, payments<sup>1</sup> other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;<sup>2</sup>

(2) to pay the holder of any note insured under this section any defaulted installment or, upon assignment of the note to the Secretary at the Secretary's request, or pursuant to a purchase agreement, the entire balance outstanding on the note;

(3) to pay taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections or<sup>3</sup> necessary to obtain credit reports on applicants or borrowers, and other services customary in the industry, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses,<sup>4</sup> and other expenses and advances to protect the security for loans which are insured under this section or held in the Fund, and to acquire such security property at foreclosure sale or otherwise; and

<sup>1</sup> Sec. 505(c) (2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "payment" and "payments" for "prepayment" and "prepayments" each time it appeared.

<sup>2</sup> Sec. 505(c) (3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "or until the next agreed annual or semiannual remittance date".

<sup>3</sup> Sec. 803(d), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1807, amended paragraph (3) to provide that assets of the rural housing fund may be utilized by the Secretary of Agriculture to obtain credit reports on loan applicants or borrowers.

<sup>4</sup> Sec. 519(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "and other services customary in the industry, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses."



(4) to make assistance payments authorized by section 521 (a).<sup>1</sup>

(5)<sup>2</sup> after October 1, 1977, and as approved in appropriations Acts, to make advances authorized by section 501(e); and

(6)<sup>2</sup> after October 1, 1977, and as approved in appropriations Acts, to make the expenditures authorized by section 509(c).

(k)<sup>3</sup> Any sale by the Secretary of loans individually or in blocks, pursuant to subsections (c) and (g), shall be treated as a sale of assets for the purposes of the Budget and Accounting Act, 1921, notwithstanding the fact that the Secretary, under an agreement with the purchaser, holds the debt instruments evidencing the loans and holds or reinvests payments thereon as trustee and custodian for the purchaser.

(l)<sup>4</sup> The Secretary may also, upon the application of lenders, builders, or sellers and upon compliance with requirements specified by him, make commitments upon such terms and conditions as he shall prescribe to make or insure loans under this section to eligible applicants.

(m)<sup>5</sup> The assets and liabilities of, and authorizations applicable to, the Rural Housing Direct Loan Account are hereby transferred to the Fund, and such Account is hereby abolished. Such assets and their proceeds, including loans made out of the Fund pursuant to this section, shall be subject to all of the provisions of this section.

(n)<sup>6</sup> Loans guaranteed under this section shall be made only to borrowers with above-moderate incomes.

(o)<sup>7</sup> At least 60 per centum of the amount of loans made pursuant to sections 502 and 515 shall benefit persons of low income.

#### RURAL HOUSING DIRECT LOAN ACCOUNT

#### SEC. 518. Repealed.<sup>8</sup>

#### SUMS EXCESS TO THE NEEDS OF THE RURAL HOUSING INSURANCE FUND

SEC. 519.<sup>9</sup> Any sums in the Rural Housing Insurance Fund which the Secretary determines are in excess of amounts needed to meet the obligations and carry out the purposes of such Fund shall be returned to miscellaneous receipts of the Treasury.

#### DEFINITION OF RURAL AREA

SEC. 520.<sup>10</sup> As used in this title, the terms "rural" and "rural area" mean any open country, or any place, town, village, or city which is

<sup>1</sup> Sec. 415(c)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added a new subsection (4), which was amended technically by Sec. 506(b), Housing and Community Development Amendment of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 517(j) by adding subsections (5) and (6).

<sup>3</sup> Sec. 413(c), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 399, added subsection (k).

<sup>4</sup> Sec. 413(d), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 399, added subsection (l).

<sup>5</sup> Sec. 413(e)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 399, added subsection (m).

<sup>6</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 517 by adding subsections (n) and (o).

<sup>7</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 517 by adding subsection (n) and (o).

<sup>8</sup> Repealed by sec. 413(e)(3), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 399.

<sup>9</sup> Sec. 519 was added by sec. 1006, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 455, 501, but was amended by sec. 413(e)(4), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 399, to reflect the abolishment of the Rural Housing Direct Loan Account by deleting the reference to that Account.

<sup>10</sup> Sec. 520 was added by sec. 1007, Housing and Urban Development Act of 1965, Public Law 89-117, approved August 10, 1965, 79 Stat. 455, 502.



not part of or associated with an urban area and which (1) has a population not in excess of 2,500 inhabitants, or (2) has a population in excess of 2,500 but not in excess of 10,000<sup>1</sup> if it is rural in character, or (3) has a population in excess of 10,000 but not in excess of 20,000, and (A) is not contained within a standard metropolitan statistical area, and (B) has a serious lack of mortgage credit for lower and moderate-income families,<sup>2</sup> as determined by the Secretary and the Secretary of Housing and Urban Development.<sup>3</sup>

LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW- AND MODERATE-INCOME PERSONS AND FAMILIES

SEC. 521.<sup>4</sup> (a) (1) (A) Notwithstanding the provisions of section 502, 517(a) and 515, loans to persons of low or moderate income under section 502 or 517(a) (1), or 526(a),<sup>5</sup> loans under<sup>6</sup> section 515 or 526 (c)<sup>7</sup> to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, and loans under section 526 to provide condominium housing for persons and families of low or moderate income,<sup>8</sup> shall bear interest at a rate prescribed by the Secretary at not less than a rate determined by the Secretary of the Treasury upon the request of the Secretary<sup>9</sup> taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum.

(B)<sup>10</sup> From the interest rate so determined, the Secretary may provide the borrower with assistance in the form of credits so as to reduce the effective interest rate to a rate not less than 1 per centum per annum for such periods of time as the Secretary may determine for applicants described in subparagraph (A) if without such assistance such applicants could not afford the dwelling or make payments on the indebtedness of the rental or cooperative housing.

(C) For persons of low income under section 502 or 517(a) who the Secretary determines are unable to afford a dwelling with the

<sup>1</sup> Sec. 803(e), Housing and Urban Development Act of 1970, Public Law 91-609, approved December 31, 1970, 84 Stat. 1770, 1807, substituted "10,000" for "5,500".

<sup>2</sup> Sec. 25(b) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 520(3)(B) of the Housing Act of 1949 by inserting "for lower and moderate-income families" immediately after "has a serious lack of mortgage credit."

<sup>3</sup> Sec. 511 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this clause (3).

<sup>4</sup> Sec. 1001, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 551 added sec. 521. Amended by Sec. 506, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, which redesignated this subsection (A) and added new subsection (B).

<sup>5</sup> Sec. 516(c) (2) (A) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, deleted "or 517(a) (1)" and inserted "or 517(a) (1), or 526(a)".

<sup>6</sup> Sec. 516(c) (1) (A) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, deleted "and loans under section 515" and inserted "loans under section 515".

<sup>7</sup> Section 516(c) (2) (B) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, inserted "or 526(c)" after "under section 515".

<sup>8</sup> Sec. 516(c) (1) (B) of Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, added after "elderly families," the words "and loans under section 526 to provide condominium housing for persons and families of low or moderate income".

<sup>9</sup> Sec. 25(a) of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended section 521(a) (1) of the Housing Act of 1949, by striking "rate determined annually by the Secretary of the Treasury" and inserting in lieu thereof "rate determined by the Secretary of the Treasury upon the request of the Secretary."

<sup>10</sup> New subsection (B) added by Housing and Community Development Amendments, Sec. 506, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

assistance provided under subparagraph (B) and when the Secretary determines that assisted rental housing programs (as authorized under this title, the National Housing Act, and the United States Housing Act of 1937) would be unsuitable in the area in which such persons reside, the Secretary may provide additional assistance, pursuant to amounts approved in appropriation Acts and for such periods of time as the Secretary may determine, which may be in an amount not to exceed the difference between (i) the amount determined by the Secretary to be necessary to pay the principal indebtedness, interest, taxes, insurance, utilities, and maintenance, and (ii) 25 per centum of the income of such applicant.

(D) With respect to borrowers under section 502 or 517(a) who have received assistance under subparagraph (B) or (C), the Secretary shall provide for the recapture of all or a portion of such assistance rendered upon the disposition or nonoccupancy of the property by the borrower. In providing for such recapture, the Secretary shall make provisions to provide incentives for the borrower to maintain the property in a marketable condition. Notwithstanding any other provision of law, any such assistance whenever rendered shall constitute a debt secured by the security instruments given by the borrower to the Secretary to the extent that the Secretary may provide for recapture of such assistance.

(E) Except for Federal or State laws relating to taxation, the assistance rendered to any borrower under subparagraphs (B) and (C) shall not be considered to be income or resources for any purpose under any Federal or State laws including, but not limited to, laws relating to welfare and public assistance programs.

(F) Loans subject to the interest rates and assistance provided under this paragraph (1) may be made only when the Secretary determines the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under the National Housing Act and the United States Housing Act of 1937.

(G) Interest on loans under section 502 or 517(a) to victims of a natural disaster shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

(H) The aggregate principal amount of loans made to borrowers receiving assistance pursuant to subparagraph (C) shall not exceed \$440,000,000.

(2) (A)<sup>1</sup> The Secretary shall make and insure loans under this section and sections 514, 515, and 517 to provide rental or cooperative housing and related facilities for persons and families of low income in multifamily housing projects, and shall<sup>2</sup> make, and contract to make, assistance payments to public and private nonprofit owners<sup>3</sup> of such rental congregate, or cooperative<sup>4</sup> housing in order to make available to low-income occupants of such housing rentals at rates commensurate

<sup>1</sup> Sec. 514(a) of Housing and Community Development Act of 1974, Public Law 93-383, (2), 88 Stat. 633, approved August 22, 1974, inserted (1) after (a) and added a new paragraph.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 321(a)(2)(A) by deleting "may" each place it appears "public and private nonprofit owners."

<sup>3</sup> Sec. 507, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, deleted "the owners" and replaced in lieu thereof "public and private nonprofit owners."

<sup>4</sup> Sec. 507, Housing and Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, added "congregate, or cooperative".



to income and not exceeding 25 per centum of income. Such assistance payments shall be made on a unit basis and shall not be made for more than 20 per centum of the units in any one project, except that (i) when the project is financed by a loan under section 515 for elderly or handicapped<sup>1</sup> housing, by a loan under section 514<sup>2</sup> or by a loan under section 514 and a grant under section 516, such assistance may be made for up to 100 per centum of the units, and (ii) when the Secretary determines such action is necessary or feasible, he shall<sup>3</sup> make such payments with respect to more than 20 per centum of the units.

(B) The owner of any project assisted under this paragraph shall be required to provide at least annually a budget of operating expenses and record of tenants' income which shall be used to determine the amount of assistance for each project.

(C) The project owner shall accumulate, safeguard, and periodically pay to the Secretary any rental charges collected in excess of basic rental charges as established by the Secretary in conformity with subparagraph (A). These funds may be credited to the appropriation and used by the Secretary for making such assistance payments through the end of the next fiscal year.

(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

(c)<sup>4</sup> There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations (1) the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a)(1) exceed interest due from the borrowers during each year, and (2) the amount of assistance payments described in subsection (a)(2). The Secretary may from time to time issue notes to the Secretary of the Treasury under section 517(h)<sup>5</sup> and section 526 to obtain amounts equal to such unreimbursed payments, pending the annual reimbursement by appropriation.

#### HOUSING FOR RURAL TRAINEES

SEC. 522.<sup>6</sup> (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating

<sup>1</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended sec. 521(a)(2)(A) by inserting "or handicapped".

<sup>2</sup> Amended with the addition of "by a loan under section 514", by section 507, Housing and Community Development Amendments P.L. 95-577, 92 Stat. 8020, approved October 31, 1978.

<sup>3</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended section 321(a)(2)(A) by deleting "may" each place it appears and inserting in lieu thereof "shall".

<sup>4</sup> Sec. 514(b) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended this subsection (c).

<sup>5</sup> Sec. 516(c)(3) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, further amended sec. 521(c) by inserting "and section 526" after "section 517(h)".

<sup>6</sup> Sec. 1009, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 551, added sec. 522.



in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

(i) As used in this section (1) the term "related facilities" shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term "trainee" means any person receiving training under any federally assisted training program.

(j) There are authorized to be appropriated such sums as may be necessary to carry out this section.

#### MUTUAL AND SELF-HELP HOUSING

SEC. 523.<sup>1</sup> (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the "Secretary") is authorized—

(1) (A) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts: *Provided*, That the Secretary may advance funds under this paragraph to organizations receiving assistance under clause (A) to enable them to establish revolving accounts for the purchase of land options and any such advances may bear interest at a rate determined by the Secretary and shall be repaid to the Secretary at the expiration of the period for which the grant to the orga-

<sup>1</sup> Sec. 1005, Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 553, added sec. 523.

nization involved was made;<sup>1</sup> and (B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and co-operatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this Act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof; and

(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

(A) there is reasonable assurance of repayment of the loan;

(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

(E) the loan is repayable within not more than thirty-three years.

(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

<sup>1</sup> Sec. 512(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added this proviso.



(d) As used in this section, the term "construction" includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to October 1, 1979,<sup>1</sup> such sums, not in excess of \$16,500,000<sup>2</sup> for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after September 30, 1979,<sup>3</sup> except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

(g) There are hereby authorized to be appropriated for the purposes of subsection (b)(1)(B) not to exceed \$1,000,000 for the fiscal year ending June 30, 1969, and not to exceed \$2,000,000 for the fiscal year ending June 30, 1970, and not to exceed \$3,000,000 for the fiscal year ending September 30, 1979.<sup>4</sup> Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b)(1)(B). Instruments and property acquired by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund.

(h)<sup>5</sup> The Secretary shall issue rules and regulations for the orderly processing and review of applications under this section and rules and regulations protecting the rights of grantees under this section in the event he determines to end grant assistance prior to the termination date of any grant agreement.

<sup>1</sup> Sec. 13(d) of Public Law 93-117, 87 Stat. 421, approved October 2, 1973 substituted "1974" for "1973". Sec. 512(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "1977" for "1974" each place it appeared.

Amended by Housing and Community Development Act of 1977, P.L. 95-128, approved October 12, 1977 to read as set forth in the text (P.L. 95-60, approved June 30, 1977, had previously extended the date from July 1, 1977 to August 1, 1977; P.L. 95-80, approved July 31, 1977, had further extended the date from August 1, 1977 to October 1, 1977). This was amended further by Sec. 501(g), Housing and Community Development Amendment of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 512(b)(2) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, substituted "\$10,000,000" for "\$5,000,000". Sec. 501(g) of Housing Community Development Amendments of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978, substituted "\$16,500,000" for "\$10,000,000."

<sup>3</sup> Sec. 13(d) of Public Law 93-117, 87 Stat. 421, approved October 2, 1973, substituted "1974" for "1973"; Sec. 512(b)(1) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974 substituted "1977" for "1974" each place it appeared; amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, to read as set forth in the text (P.L. 95-60, approved June 30, 1977, had previously extended the date from June 30, 1977 to July 31, 1977; P.L. 95-80, approved July 31, 1977, had further extended the date from July 31, 1977 to September 3, 1977). Extended further by Housing and Community Development Amendments of 1978, Sec. 501(g), Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>4</sup> Amended by Sec. 523(h), Housing and Community Development Amendment of 1978, P.L. 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>5</sup> Sec. 512(c) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added a new subsection (h).

## FINANCIAL ASSISTANCE TO NONPROFIT ORGANIZATIONS TO PROVIDE SITES FOR RURAL HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES

SEC. 524.<sup>1</sup> (a) The Secretary may make loans, on such terms and conditions and in such amounts he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under any section of this title or under any other law which provides financial assistance for housing low- and moderate-income families. Such a loan shall bear interest at a rate prescribed by the Secretary taking into consideration a rate determined annually by the Secretary of the Treasury as the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, and shall be repaid within a period not to exceed two years from the making of the loan or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes of this section.

(b) In determining whether to extend financial assistance under this section, the Secretary shall take into consideration, among other factors, (1) the suitability of the area to the types of dwellings which can feasibly be provided, and (2) the extent to which the assistance will (i) facilitate providing needed decent, safe, and sanitary housing, (ii) be utilized efficiently and expeditiously, and (iii) fulfill a need in the area which is not otherwise being met through other programs, including those being carried out by other Federal, State, or local agencies.

## PROGRAMS OF TECHNICAL AND SUPERVISORY ASSISTANCE FOR LOW-INCOME FAMILIES

SEC. 525.<sup>2</sup> (a) The Secretary may make grants to or enter into contracts with public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the cost of developing, conducting, administering or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and families in benefiting from Federal, State, and local housing programs in rural areas. In processing applications for such grants or contracts made by private nonprofit corporations, agencies, institutions, organizations, and other associations, the Secretary shall give preference to those which are sponsored (including assistance to the applicant in processing the application, implementing the technical assistance program, and carrying out the obligations of the grant or contract) by a State, county, municipality, or other governmental entity or public body.

<sup>1</sup> Sec. 413(f)(1), Housing and Urban Development Act of 1969, Public Law 91-152, approved December 24, 1969, 83 Stat. 379, 399, added sec. 524. Sec. 515 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended the first sentence of sec. 524(a). Prior to enactment of this Act the first sentence read as follows: The Secretary may make loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this Act.

<sup>2</sup> Sec. 515 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended Title V of the Housing Act of 1949 by adding at the end thereof a new sec. 525.



(b) The Secretary is authorized to make loans to public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him for the necessary expenses, prior to construction, of planning, and obtaining financing for, the rehabilitation or construction of housing for low-income individuals or families under any Federal, State, or local housing program which is or could be used in rural areas. Such loans shall be made without interest and shall be for the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including but not limited to preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the housing or sooner, and may cancel any part or all of such loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(c) There are authorized to be appropriated for the fiscal years ending June 30, 1975, and June 30, 1976, not to exceed \$5,000,000 for the purposes of subsection (a) and not to exceed \$5,000,000 for the purposes of subsection (b). There are also authorized to be appropriated for the fiscal year ending September 30, 1979, not to exceed \$5,000,000 for the purposes of subsection (a) and not to exceed \$5,000,000 for the purposes of subsection (b).<sup>1</sup> Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year.

(d) All funds appropriated for the purpose of subsection (b) shall be deposited in a fund which shall be known as the low-income sponsor fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of that subsection. Sums received in repayment of loans made under subsection (b) shall be deposited in such fund.

#### CONDOMINIUM HOUSING

SEC. 526.<sup>2</sup> (a) The Secretary is authorized, in his discretion and upon such terms and conditions (substantially identical insofar as may be feasible with those specified in section 502) as he may prescribe, to make loans to persons and families of low or moderate income, and to insure and make commitments to insure loans made to persons and families of low or moderate income, to assist them in purchasing dwelling units in condominiums located in rural areas.

(b) Any loan made or insured under subsection (a) shall cover a one-family dwelling unit in a condominium, and shall be subject to such provisions as the Secretary determines to be necessary for the maintenance of the common areas and facilities of the condominium project and to such additional requirements as the Secretary deems appropriate for the protection of the consumer.

<sup>1</sup> Sec. 501(i), Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 516(a) of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, amended Title V of the Housing Act of 1949 by adding a new Sec. 526.



(c) In addition to individual loans made or insured under subsection (a) the Secretary is authorized, in his discretion and upon such terms and conditions (substantially identical insofar as may be feasible with those specified in section 515) as he may prescribe, to make or insure blanket loans to a borrower who shall certify to the Secretary, as a condition of obtaining such loan or insurance, that upon completion of the multifamily project the ownership of the project will be committed to a plan of family unit ownership under which (1) each family unit will be eligible for a loan or insurance under subsection (a), and (2) the individual dwelling units in the project will be sold only on a condominium basis and only to purchasers eligible for a loan or insurance under subsection (a). The principal obligation of any blanket loan made or insured under this subsection shall in no case exceed the sum of the individual amounts of the loans which could be made or insured with respect to the individual dwelling units in the project under subsection (a).

(d) As used in this section, the term "condominium" means a multi-unit housing project which is subject to a plan of family unit ownership acceptable to the Secretary under which each dwelling unit is individually owned and each such owner holds an undivided interest in the common areas and facilities which serve the project.

#### MOBILE HOMES

SEC. 527.<sup>1</sup> (a) As used in this title, the term "housing" shall, notwithstanding any other provision of this title and to the extent deemed practicable by the Secretary, include mobile homes and mobile home sites.

(b) With respect to mobile homes and mobile home sites financed under this title, the Secretary shall—

(1) prescribe minimum property standards to assure the livability and durability of the mobile home and the suitability of the site on which it is to be located, and

(2) obtain assurances from the borrower that the mobile home will be placed on a site which complies with standards prescribed by the Secretary and with applicable local requirements.

Loans under this title for the purchase of mobile homes and sites shall be made on the same terms and conditions as are applicable under section 2 of the National Housing Act to obligations financing the purchase of mobile homes and lots on which to place such homes.

SEC. 528.<sup>2</sup> All property subject to a lien held by the United States or the title to which is acquired or held by the Secretary under this title other than property used for administrative purposes shall be subject to taxation by a State, Commonwealth, territory, possession, district, and local political subdivisions in the same manner and to the same extent as other property is taxed: *Provided*, That no tax shall be imposed or collected on or with respect to any instrument if the tax is based on—

(1) the value of any notes or mortgages or other lien instruments held by or transferred to the Secretary;

(2) any notes or lien instruments administered under this title

<sup>1</sup> Sec. 518 of Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added a new section 527.

<sup>2</sup> Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, amended title V by adding section 528 to become effective January 1, 1977.

which are made, assigned, or held by a person otherwise liable for such tax; or

(3) the value of any property conveyed or transferred to the Secretary, whether as a tax on the instrument, the privilege of conveying or transferring, or the recordation thereof; nor shall the failure to pay or collect any such tax be a ground for refusal to record or file such instruments, or for failure to impart notice, or prevent the enforcement of its provisions in any State or Federal court.

(b) Notwithstanding any other provision of law, no State, Commonwealth, territory, possession, district, or local political subdivision which has received, prior to the date of enactment of this Act, tax payments from the Department of Agriculture based on property held by the Farmers Home Administration shall be liable for, or be obligated to refund, the amount of any such payment, which, if it had been made after the date of enactment of this Act, would have been authorized by the provisions of section 528 of the Housing Act of 1949, and no officer or employee of the United States shall incur or be under any liability by reason of having made or authorized any such payments.

SEC. 529.<sup>1</sup> To the maximum extent feasible, the Secretary of Agriculture shall promote the use of energy saving techniques through minimum property standards established by such Secretary for newly constructed residential housing assisted under this title. Such property standards shall, insofar as is practicable, be consistent with the standards established pursuant to section 526 of the National Housing Act and shall incorporate the energy performance requirements developed pursuant to such section. Such property standards shall be implemented as soon as practicable after the date of enactment of this section.

Approved July 15, 1949.

[Public Law 93-644, 88 Stat. 2291]

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#### DEPARTMENT OF AGRICULTURE AND FARMERS HOME ADMINISTRATION PROGRAMS

SEC. 744. (a) The Secretary of Agriculture or, where appropriate, the Administrator of the Farmers Home Administration, after consultation with the Director, shall take all necessary steps to insure that community development corporations and local cooperative associations shall qualify for and shall receive (1) such assistance in connection with housing development under the Housing Act of 1949, (2) such assistance in connection with housing, business, industrial, and community development under the Consolidated Farmers Home Administration Act of 1961 and the Rural Development Act of 1972, and (3) such further assistance under all such programs of the United States Department of Agriculture, as shall further the purposes of this title.

(b) On or before six months after the enactment of this title, and annually thereafter, the Secretary shall submit to the Congress a

<sup>1</sup> Added to Sec. 252(b), National Energy Conservation Policy Act, Public Law 95-619, 92 Stat. 3206, approved November 9, 1978.

detailed report setting forth a description of all Federal agency programs which he finds relevant to achieving the purposes of this part and the extent to which such programs have been made available to community development corporations receiving financial assistance under this part including specifically the availability and effectiveness of programs referred to in subsection (a) of this section. Where appropriate, the report required under this subsection also shall contain recommendations for the more effective utilization of Federal agency programs for carrying out the purposes of this title.

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Approved January 4, 1975.

## EXCERPTS FROM HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

### STUDY OF EMERGENCY POTABLE WATER AND SEWAGE PROGRAM

[42 U.S.C. 1476]<sup>1</sup>

SEC. 508. (a) The Secretary of Agriculture shall—

(1) carry out a study to determine the approximate number of rural housing units without access to sanitary toilet facilities, potable water, or access to both sanitary toilet facilities and potable water, as defined under regulations established by the Secretary; and

(2) prepare a projection of the cost of implementing an emergency program to provide sanitary toilet facilities and potable water supplies for all such housing units over a two-year period.

(b) Not later than six months after the date of enactment of this Act, the Secretary of Agriculture shall report to the Congress the results of the study and projection under subsection (a).

### STUDY OF PROBLEMS CAUSED BY REMOTE CLAIMS

[42 U.S.C. 1480]<sup>2</sup>

SEC. 509. (a) The Secretary of Agriculture (hereafter referred to in this section as "Secretary") shall make a detailed study of the problems associated with obtaining title insurance by persons in rural areas with respect to real property encumbered by remote claims or other remote encumbrances which prevent such persons from receiving the full benefit of the use of such property, including the benefit of assistance provided under this title. The Secretary shall, in making such study, consider and develop findings and conclusions with respect to—

(1) the extent of such problems as they pertain to the lawful rights of such persons;

(2) the location and amount of land affected by such problems;

(3) the nature, extent, and effectiveness of remedies to such problems presently available, or proposed, under State law;

<sup>1</sup> Sec. 508, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.

<sup>2</sup> Sec. 509, Housing and Community Development Amendments of 1978, Public Law 95-557, 92 Stat. 2080, approved October 31, 1978.



(4) the potential impact (with respect to existing Federal State, and local laws) of such remote claims and encumbrances and of any reasonable remedies determined necessary for resolving the problems created for persons by such remote claims or encumbrances;

(5) the liability and losses which might accrue to the Federal Government as a result of each of the remedies considered in the study conducted under this section; and

(6) other issues which the Secretary determines shall be considered, after consulting with the Secretary of Housing and Urban Development.

(b) Not later than March 1, 1979, the Secretary shall transmit to the Congress an interim report on the study conducted under this section. In addition, the Secretary shall, not later than one year after the date of the enactment of this Act, transmit a final report to the Congress. Such final report shall contain the findings and conclusions of the Secretary with respect to the study made under this section. In addition, such final report shall include—

(1) recommendations for Federal legislative actions necessary to implement reasonable remedies to the problems studied under this section; and

(2) recommendations for legislative actions which may be undertaken by State and local governments for the purposes of providing such remedies.

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## DEPARTMENT OF DEFENSE

### EXCERPTS FROM HOUSING AMENDMENTS OF 1955 <sup>1</sup>

[Public Law 345, 84th Congress, 69 Stat. 635, 651; 42 U.S.C. 1594-1594f]

#### TITLE IV—ARMED SERVICES HOUSING MORTGAGE INSURANCE

\* \* \* \* \*

SEC. 403. (a) The Secretary of Defense or his designee is hereby authorized to enter into contracts with any eligible bidder to provide for the construction of urgently needed housing on lands owned or leased by the United States and situated on or near a military reservation or installation for the purpose of providing suitable living accommodations for military personnel of the armed services assigned to duty at the military installation at or in the area where the housing is situated. Any such contract shall provide that each housing unit in the project shall be placed under the control of the Secretary of Defense or his designee, as soon as the unit is available for occupancy as determined by the Secretary of Housing and Urban Development.<sup>2</sup> Any such contract shall also provide that, except for stock held by the Secretary of Housing and Urban Development, the capital stock of the mortgagor (where the mortgagor is a corporation) be transferred to the Secretary of Defense, or his designee, when the housing has been completed as determined by the Secretary of Housing and Urban Development. Any such contract shall contain such terms and conditions as the Secretary of Defense may determine to be necessary to protect the interests of the United States. Any <sup>3</sup> such contract shall provide for the furnishing by the contractor of a performance bond and a payment bond with a surety or sureties satisfactory to the Secretary of Defense, or his designee, and the furnishing of such bonds shall be deemed a sufficient compliance with the provisions of section 1 of the Act of August 24, 1935 (49 Stat. 793), and no additional bonds shall be required under such section. Before the Secretary of Defense shall enter into any contract as authorized by this section for the construction of housing, he shall invite the submission of competitive

<sup>1</sup> These excerpts from title IV supplement the provisions of title VIII of the National Housing Act, as added to that Act by sec. 401 of this title IV of the Housing Amendments of 1955. See also sec. 305(f) of the National Housing Act, for authorization to the Government National Mortgage Association to make commitments to purchase and to purchase title VIII mortgages financing armed services housing as provided in this title IV of the Housing Amendments of 1955.

<sup>2</sup> Sec. 12, Public Law 90-19, approved May 25, 1967, 81 Stat. 17, 23, substituted "Secretary of Housing and Urban Development" for "Commissioner" throughout title IV in order to make it conform to the Department of Housing and Urban Development Act which placed all the functions of the Federal Housing Commissioner in the Secretary of Housing and Urban Development.

<sup>3</sup> This sentence added by sec. 507 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1110.



bids after advertising in the manner prescribed in section 3 of the Armed Services Procurement Act of 1947.

(b) For the purposes of this title, the term "eligible bidder" means a person, partnership, firm, or corporation determined by the Secretary of Defense after consultation with the Secretary of Housing and Urban Development (1) to be qualified by experience and financial responsibility to construct housing of the type described in subsection (a) of this section, and (2) to have submitted the lowest acceptable bid.

(c) Notwithstanding any other provision of law, the Secretary of Defense or his designee is authorized to acquire the capital stock of mortgagors holding property covered by a mortgage insured under title VIII of the National Housing Act, as amended by the Housing Amendments of 1955, and to exercise the rights as holders of such capital stock during the life of such mortgage and, upon the termination of the mortgage, to dissolve the corporation; to guarantee the payment of notes or other legal instruments required by the Secretary of Housing and Urban Development of such mortgagors; to make payments thereon; and to guarantee and indemnify the Armed Services Housing Mortgage Insurance Fund against loss in cases where so required. All housing facilities placed under the control of the Secretary of Defense pursuant to the provisions of this title shall be deemed to be housing facilities under the jurisdiction of the military department to which they are assigned.

(d)<sup>1</sup> On request by the Secretary of Defense, the Attorney General shall furnish to the Secretary of Defense, or his designee, an opinion as to the sufficiency of title to any property on which it is proposed to construct housing, or on which housing has been constructed, under this section. If the opinion of the Attorney General is that the title to any such property is good and sufficient, the Secretary of Defense is authorized to guarantee, or enter into a commitment to guarantee, the mortgage, under a mortgage on such property which is insured under title VIII of the National Housing Act, against any losses that may thereafter arise from adverse claims to title. None of the proceeds of any mortgage loan hereafter insured under such title VIII shall be used for title search and title insurance costs: *Provided*, That if the Secretary of Defense, or his designee, determines in the case of any housing project, that the financing of the construction of such project is impossible unless title insurance is provided, the Secretary of Defense may provide for the payment of the reasonable costs necessary for obtaining title search and title insurance. Any payments by the Secretary of Defense hereunder shall be made from the revolving fund established under section 404(g). Any determination by the Secretary of Defense under the foregoing proviso shall be set forth in writing, together with the reasons therefor. The Committees on Armed Services of the Senate and House of Representatives shall be promptly notified of each such determination, and of the amount of any payment made by the Secretary of Defense for title search and title insurance costs.

<sup>1</sup> Sec. 415, Military Construction Act of 1959, Public Law 86-149, approved August 10, 1959, 73 Stat. 302, 323, added subsection (d).

SEC. 404.<sup>1</sup> (a) Whenever the Secretary of Defense or his designee deems it necessary for the purpose of this title, he may acquire, by purchase, donation, condemnation, or other means of transfer, any land or (with the approval of the Secretary of Housing and Urban Development) (1) any housing financed with mortgages insured under title VIII of the National Housing Act as in effect prior to August 11, 1955, or (2) any housing situated adjacent to a military installation which was (A) completed prior to July 1, 1952, (B) certified by the Department of Defense, prior to construction, as being necessary to meet an existing military family housing need and considered as military housing by the Secretary of Housing and Urban Development, and (C) financed with mortgages insured under section 207 of the National Housing Act, or <sup>2</sup> (3) any housing situated on or adjacent to a military installation which was (A) completed prior to July 1, 1952, (B) considered by the Department of Defense, prior to construction, as being necessary to meet an existing military family housing need and considered as military housing by the Secretary of Housing and Urban Development, and (C) financed with mortgages insured under section 608 of the National Housing Act, including adjacent property constructed primarily to provide commercial facilities for the occupants of such housing. The purchase price of any such housing shall not exceed the Secretary of Housing and Urban Development's estimate of the replacement cost of such housing and related property (not including the value of any improvements installed or constructed with appropriated funds) as of the date of final endorsement for mortgage insurance reduced by an appropriate allowance representing the estimated cost of repairs and replacements necessary to restore the property to sound physical condition,<sup>3</sup> as determined by the Secretary of Defense or his designee upon the advice of the Secretary of Housing and Urban Development: *Provided*, That in any case where the Secretary of Defense or his designee acquires a project held by the Secretary of Housing and Urban Development, the price paid shall not exceed the face value of debentures (plus accrued interest thereon) which the Secretary of Housing and Urban Development issued in acquiring such project.

(b) Notwithstanding any provision of subsection (a) to the contrary, the Secretary of Defense or his designee shall, in the manner provided in subsection (a), acquire by purchase, donation, or other means of transfer or, if the parties cannot agree upon terms for acquisition by such means, by condemnation, any housing described <sup>4</sup> in

<sup>1</sup> Immediately prior to amendment by sec. 702(a), Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 683, this first sentence read as follows:

"SEC. 404. (a) Whenever the Secretary of Defense or his designee deems it necessary for the purpose of this title, he may acquire by purchase, donation, condemnation, or other means of transfer, any land or (with the approval of the Federal Housing Commissioner) any housing financed with mortgages insured under the provisions of title VIII of the National Housing Act as in effect prior to the enactment of the Housing Amendments of 1955."

<sup>2</sup> Sec. 1003, Housing Act of 1964, Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 806, added the remainder of this sentence.

<sup>3</sup> Sec. 504, Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 303, deleted "an appropriate allowance for physical depreciation" and substituted "an appropriate allowance representing the estimated cost of repairs and replacement necessary to restore the property to sound physical condition."

<sup>4</sup> Immediately prior to amendments by sec. 702(b) Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 683, the last part of this sentence read as follows: "constructed under the mortgage insurance provisions of title VIII of the National Housing Act (as in effect prior to the enactment of the Housing Amendments of 1955) which is located at or near a military installation where the construction of housing under the Armed Services Housing Mortgage Insurance Program has been approved by the Secretary."



clause (1) or (2) of subsection (a) of this section which is located at or near a military installation where the construction of housing under the Armed Services Housing Mortgage Insurance Program has been approved by the Secretary of Defense.

(c) (1) Condemnation proceedings instituted pursuant to this section shall be conducted in accordance with the provision of the Act of August 1, 1888 (25 Stat. 357; 40 U.S.C. 257), as amended, or any other applicable Federal statute. Before any such condemnation proceedings are instituted, an effort shall be made to acquire the property involved by negotiation. In any such condemnation proceedings, and in the interests of expedition, the issue of just compensation may be determined by a commission of three qualified, disinterested persons to be appointed by the court. Any commission appointed hereunder shall give full consideration to all elements of value in accordance with existing law, and shall have the powers of a master provided in subdivision (c) of rule 53 of the Federal Rules of Civil Procedure and proceedings before it shall be governed by the provisions of paragraphs (1) and (2) of subdivision (d) of such rule. Its action and report shall be determined by a majority and its findings and report shall have the effect, and be dealt with by the court in accordance with the practice prescribed in paragraph (2) of subdivision (e) of such rule. Trial of all issues, other than just compensation, shall be by the court.

(2)<sup>1</sup> In any condemnation proceedings instituted to acquire any such housing, or interest therein, the court shall not order the party in possession to surrender possession in advance of final judgment unless a declaration of taking has been filed, and a deposit of the amount estimated to be just compensation has been made, under the first section of the Act of February 26, 1931 (46 Stat. 1421). The amount of such deposit for the purpose of this section shall not in any case be less than an amount equal to the actual cost of the housing (not including the value of any improvements installed or constructed with appropriated funds) as certified by the sponsor or owner of the project to the Secretary of Housing and Urban Development pursuant to any statute or any regulation issued by the Secretary of Housing and Urban Development, reduced by the amount of the principal obligation of the mortgage outstanding at the time possession is surrendered, but any such deposit shall not include any excess mortgage proceeds or "windfalls," kickbacks and rebates received in connection with the construction of said housing as determined by the Department of Defense, or any other Federal agency. The amount of such deposit in any case where the sponsor or owner has not certified the cost of the project to the Secretary of Housing and Urban Development at the time of the enactment of the Military Construction Act of

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<sup>1</sup> Immediately prior to amendments by sec. 418, Military Construction Act of 1959, Public Law 86-149, approved August 10, 1959, 73 Stat. 302, 324; and by sec. 703, Housing Act of 1959, Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 683, the first two sentences of sec. 404(c) (2) read as follows:

"(2) In any condemnation proceedings instituted pursuant to this section, the court shall not order the party in possession to surrender possession in advance of final judgment unless a declaration of taking has been filed, and a deposit of the amount estimated to be just compensation has been made, under the first section of the Act of February 26, 1931 (46 Stat. 1421), providing for such declarations. Unless title is in dispute, the court, upon application, shall promptly pay to the owner at least 75 per centum of the amount so deposited, but such payment shall be made without prejudice to any party to the proceeding. In the event that condemnation proceedings are instituted in accordance with procedures under such Act of February 26, 1931, the court shall order that the amount deposited shall be paid in a lump sum or over a period not exceeding five years in accordance with stipulations executed by the parties in the proceedings."



1959 shall be determined by the Secretary of Defense, or his designee, in accordance with the Act of February 26, 1931 (46 Stat. 1421), with a view toward accurately estimating the equity of the sponsor or owner: *Provided*, That in the event there is withdrawn from the registry of the court by the owner or sponsor a sum of money in excess of the final award of just compensation, this excess shall be repaid to the United States plus a sum equal to 4 per centum per annum on such excess from the time such sum is deposited in the registry of the court: *Provided further*, That any court in which money is deposited as provided in this section shall require the furnishing of security by the owner to protect the United States from any loss by reason of a final award of just compensation of less than the amount deposited: *And provided further*, That the deposit required to be made by this section shall be without prejudice to any party in the determination of just compensation. Unless title is in dispute, the court, upon application and subject to the foregoing provisions of this subsection, shall promptly pay to the owner at least 75 per centum of the amount so deposited, but such payment shall be made without prejudice to any party to the proceeding. In the event that condemnation proceedings are instituted in accordance with procedures under such Act of February 26, 1931, the court shall order that the amount deposited shall be paid in a lump sum or over a period not exceeding five years in accordance with stipulations executed by the parties in the proceedings. In connection with condemnation proceedings which do not utilize the procedures under such Act, the Secretary of Defense or his designee, after final judgment of the court may pay or agree to pay in a lump sum or, in accordance with stipulations executed by the parties to the proceedings, over a period not exceeding five years the difference between the outstanding principal obligation, plus accrued interest, and the price for the property fixed by the court. Unless such payment is made in the lump sum, the unpaid balance thereof shall bear interest at the rate of 4 per centum per annum.

(d) Property acquired under this section may be occupied, used, and improved for the purposes of this section prior to the approval of title by the Attorney General as required by section 355 of the Revised Statutes, as amended.

(e) The Secretary of Defense or his designee may, in the case of any housing acquired or to be acquired under this section, make arrangements with the mortgagee whereby such mortgagee will agree to release and waive all requirements of accruals for reserves for replacement, taxes, and hazard insurance provided for under the corporate charter and indenture agreement with respect to such housing, upon the execution of a written agreement by the Secretary of Defense or his designee that the purposes for which such reserves and other funds were accrued will be carried out.

(f) Repealed.<sup>1</sup>

(g) Repealed.<sup>1</sup>

(h) Repealed.<sup>1</sup>

SEC. 405. The Secretary of Defense or his designee is authorized to maintain and operate any housing acquired under this title and assign quarters therein to military and civilian personnel and their dependents. Appropriations for quarters allowances or appropriate

<sup>1</sup> Repealed by subsec. (d) of sec. 501 of the Military Construction Act of 1962, Public Law 87-554, approved July 27, 1962, 76 Stat. 223, 237. See 4-5.13.

allotments, and rental charges to civilian personnel, may be utilized by the military department concerned for the payment of principal, interest, and other obligations, except those of maintenance and operation, of the mortgagor corporation with respect to such housing projects. Such payments shall not exceed an average of \$90 a month per housing unit and total payments for all housing so acquired shall not exceed \$21,000,000<sup>1</sup> per month: *Provided*, That, in case of the United States Coast Guard, total payments for all housing so acquired shall not exceed \$90,000 per month.

SEC. 406. Whenever the Secretary of Defense or his designee determines that it is desirable in order to effectuate the purposes of this title, the Secretary of Defense is authorized, without regard to the civil service and classification laws, to procure, by negotiation or otherwise, the services of architects and engineers, or organization thereof, under such arrangements as he deems desirable, but at an expense not in excess of that permissible under the schedule of fees allowed from time to time by the Secretary of Housing and Urban Development in connection with projects assisted under the United States Housing Act of 1937, as amended. Such services may include the development of plans, drawings, and specifications for family housing under this title and other services in connection therewith: *Provided*, That such plans, drawings, and specifications may include the use on any project to be constructed under this title of alternate materials or alternate types of construction, including prefabrication, that provide substantially equal value and conform to standards established by the Secretary of Housing and Urban Development: *Provided further*,<sup>2</sup> That such plans, drawings, and specifications, when developed pursuant to arrangements made under this section after the date of the enactment of the Housing Act of 1956<sup>3</sup> shall follow the principle of modular measure, in order that the housing may be built by conventional construction, on-site fabrication, factory precutting, factory fabrication, or any combination of these construction methods: *Provided further*, That the Secretary of Defense may designate certain sites or parts thereof for family housing to be furnished from prefabricated houses or housing components. Such arrangements may include provision for advance or progress payments, for payment by third parties, for payment by the Government of any such compensation as is not paid for by third parties, and shall include provision for reimbursement by third parties to the Government of any compensation or other expenses paid by the Government pursuant to this section, and may include other provisions for compensation. Any public works appropriations now or hereafter available to the Departments of the Army, Navy, or Air Force or the Coast Guard may be obligated by the respective departments or the Coast Guard for these purposes. Reimbursements to the Government on account of payments made pursuant to this section shall be made to appropriations against which such payments were charged. The Secretary of Defense is further authorized to advance or pay to the Department of Housing and Urban Development its "Appraisal and Eligibility Statement" fees in connection with such family housing.

<sup>1</sup> Sec. 508 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1110, substituted "\$21,000,000" for "\$9,000,000."

<sup>2</sup> This proviso added by sec. 509 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1110.

<sup>3</sup> August 7, 1956.

The Secretary of Defense is further authorized to enter into arrangements by contract or otherwise for eventual acquisition, by the Government, without cost to the Government of all right, title, and interest in sites on which housing is constructed pursuant to this title and improvements thereon.

SEC. 407. (a) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of sections 403 through 406 of this Act.

(b) Any funds heretofore or hereafter authorized to be expended by any of the military departments or the Coast Guard for the payment of allowances for quarters for military personnel may be used for the purposes specified in subsection (a) above.

SEC. 408. Notwithstanding the provisions of section 401 of this Act, the provisions of title VIII of the National Housing Act in effect prior to the enactment of the Housing Amendments of 1955 shall continue in full force and effect with respect to all mortgages insured pursuant to a certification by the Secretary of Defense or his designee made on or before June 30, 1955, and a commitment to insure issued on or before June 30, 1956 or pursuant to a certification by the Atomic Energy Commission or its designee made on or before June 30, 1956, except that the maximum dollar amount for each such mortgage shall be \$12,500,000. Nothing contained in the provisions of title VIII of the National Housing Act in effect prior to August 11, 1955, or any related provision of law, shall be construed to exempt from State or local taxes<sup>1</sup> or assessments the interest of a lessee from the Federal Government in or with respect to any property covered by a mortgage insured under such provisions of title VIII: *Provided*, That, no such taxes or assessments (not paid or encumbering such property or interest prior to June 15, 1956) on the interest of such lessee shall exceed the amount of taxes or assessments on other similar property of similar value, less such amount as the Secretary of Defense or his designee determines to be equal to (1) any payments made by the Federal Government to the local taxing or other public agencies involved with respect to such property, plus (2) such amount as may be appropriate for any expenditures made by the Federal Government or the lessee for the provision or maintenance of streets, sidewalks, curbs, gutters, sewers, lighting, snow removal or any other services or facilities which are customarily provided by the State, county, city, or other local taxing authority with respect to such other similar property: *And provided further*, That the provisions of this section shall not apply to properties leased pursuant to the provisions of section 805 of the National Housing Act as amended on or after August 11, 1955, which properties shall be exempt from State or local taxes or assessments.

SEC. 409. (a) Wherever the terms "Secretary of Defense" or "Secretary of the Army, Navy, or Air Force" appear in this title or in title VIII of the National Housing Act, as amended by the Housing Amendments of 1955, they shall be deemed to mean the Secretary of Transportation in the case of the application of the provisions of this title or of title VIII of the National Housing Act, as amended by the Housing Amendments of 1955, for the benefit of the United States Coast Guard.

(b) Wherever the term "armed services" appears in this title it shall be deemed to include the United States Coast Guard.

<sup>1</sup> Provisions concerning taxes added by sec. 511 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1110.



SEC. 410.<sup>1</sup> In the construction of housing under the authority of this title and title VIII of the National Housing Act, as amended, the maximum limitations on net floor area for each unit shall be the same as the net floor area limitations prescribed by law (at the time plans and specifications for such construction are begun) for public quarters built with appropriated funds under military construction authority.

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Approved August 11, 1955.

## EXCERPTS FROM THE MILITARY CONSTRUCTION AUTHORIZATION ACT, 1978

[Public Law 95-82, 91 Stat. 358]

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### TITLE V—MILITARY FAMILY HOUSING AND HOME- OWNERS ASSISTANCE PROGRAM

#### AUTHORIZATION TO CONSTRUCT OR ACQUIRE HOUSING

SEC. 501. (a) The Secretary of Defense, or his designee, is authorized to construct or acquire sole interest in existing family housing units in the numbers and at the locations hereinafter named, but no family housing construction shall be commenced at any such location in the United States until the Secretary shall have consulted with the Secretary of Housing and Urban Development as to the availability of suitable private housing at such location. If agreement cannot be reached with respect to the availability of suitable private housing at any location, the Secretary of Defense shall notify the Committees on Armed Services of the Senate and the House of Representatives, in writing, of such difference of opinion, and no contract for construction at such location shall be entered into for a period of thirty days after such notification has been given. This authority shall include the authority to acquire land, and interests in land, by gift, purchase, exchange of Government-owned land, or otherwise.

(b) With respect to the family housing units authorized to be constructed by this section, the Secretary of Defense is authorized to acquire sole interest in privately owned or Department of Housing and Urban Development held family housing units in lieu of constructing all or a portion of the family housing authorized by this section, if he, or his designee, determines such action to be in the best interests of the United States, but any family housing units acquired under authority of this subsection shall not exceed the cost limitations specified in this section for the project nor the limitations on size specified in section 2684 of title 10, United States Code. In no case

<sup>1</sup> Sec. 410 amended to read as set forth in the text by sec. 503 of the Housing Act of 1957, Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 303. Sec. 410 was originally added by sec. 510 of the Housing Act of 1956, Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, 1110. Prior to amendment by the Housing Act of 1957, sec. 410 read as follows: "In the construction of housing under the authority of this title and title VIII of the National Housing Act, as amended, the maximum limitations on net floor area for each unit shall be the same as the net floor area permanent limitations prescribed in the second, third, and fourth provisos of section 3 of the Act of June 12, 1948 (62 Stat. 375), or in section 3 of the Act of June 16, 1948 (62 Stat. 459), other than the first, second, and third provisos thereof."

may family housing units be acquired under this subsection through the exercise of eminent domain authority, and in no case may family housing units other than those authorized by this section be acquired in lieu of construction unless the acquisition of such units is hereafter specifically authorized by law.

(c) Family housing units:

Fort Polk, Louisiana, one hundred units, \$3,545,000.

Naval Complex, Adak, Alaska, one hundred units, \$8,500,000.

Portsmouth Naval Complex, Kittery, Maine, two hundred units, \$8,086,000.

Naval Security Group Activity, Winter Harbor, Maine, thirty-two units, \$1,450,000.

Naval Complex, Bremerton, Washington, five hundred twenty units, \$24,602,000.

Defense Attache Office, Quito, Ecuador, two units, \$105,000.

Defense Attache Office, Wellington, New Zealand, two units, \$88,000.

(d) Any of the amounts specified in this section may, at the discretion of the Secretary of Defense, or his designee, be increased by 10 per centum, if he determines that such increase (1) is required for the sole purpose of meeting unusual variations in cost, and (2) could not have been reasonably anticipated at the time such estimate was submitted to the Congress. The amounts authorized include the costs of shades, screens, ranges, refrigerators, and all other installed equipment and fixtures, the cost of the family housing units, design, supervision, inspection, overhead, land acquisition, site preparation, and installation of utilities.

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Approved August 1, 1977.

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EXCERPTS FROM TITLE V, MILITARY CONSTRUCTION  
AUTHORIZATION ACT, 1976

[Public Law 94-107, 89 Stat. 546]

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TITLE V—MILITARY FAMILY HOUSING

AUTHORIZATION TO CONSTRUCT OR ACQUIRE HOUSING

SEC. 501. (a) The Secretary of Defense, or his designee, is authorized to construct or acquire sole interest in existing family housing units in the numbers and at the locations hereinafter named, but no family housing construction shall be commenced at any such locations in the United States until the Secretary shall have consulted with the Secretary of the Department of Housing and Urban Development as to the availability of suitable private housing at such locations. If agreement cannot be reached with respect to the availability of suitable private housing at any location, the Secretary of Defense shall notify the Committees on Armed Services of the Senate and the House of Representatives, in writing, of such difference of opinion, and no contract for construction at such location shall be entered into for a period of thirty days after such notification has been given. This

authority shall include the authority to acquire land, and interests in land, by gift, purchase, exchange of Government-owned land, or otherwise.

(b) With respect to the family housing units authorized to be constructed by this section, the Secretary of Defense is authorized to acquire sole interest in privately owned or Department of Housing and Urban Development held family housing units in lieu of constructing all or a portion of the family housing authorized by this section if he, or his designee, determines such action to be in the best interests of the United States; but any family housing units acquired under authority of this subsection shall not exceed the cost limitations specified in section 502 of this Act or the limitations on size specified in section 2684 of title 10, United States Code. In no case may family housing units be acquired under this subsection through the exercise of eminent domain authority; and in no case may family housing units other than those authorized by this section be acquired in lieu of construction unless the acquisition of such units is hereafter specifically authorized by law.

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Approved October 7, 1975.

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### EXCERPT FROM TITLE V, GUARD AND RESERVES FORCES FACILITIES AUTHORIZATION ACT, 1977

[Public Law 94-431, 90 Stat. 1349]

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## TITLE V—MILITARY FAMILY HOUSING

### AUTHORIZATION TO CONSTRUCT OR ACQUIRE HOUSING

SEC. 501. (a) The Secretary of Defense, or his designee, is authorized to construct or acquire sole interest in existing family housing units in the numbers and at the locations hereinafter named, but no family housing construction shall be commenced at any such locations in the United States until the Secretary has consulted with the Secretary of the Department of Housing and Urban Development as to the availability of suitable private housing at such locations. If agreement cannot be reached with respect to the availability of suitable private housing at any location, the Secretary of Defense shall notify the Committees on Armed Services of the Senate and the House of Representatives, in writing, of such difference of opinion, and no contract for construction at such location shall be entered into for a period of thirty days after such notification has been given. This authority shall include the authority to acquire land, and interests in land, by gift, purchase, exchange of Government-owned land, or otherwise.

(b) With respect to the family housing units authorized to be constructed by this section, the Secretary of Defense is authorized to acquire sole interest in privately owned or Department of Housing



and Urban Development held family housing units in lieu of constructing all or a portion of the family housing authorized by this section, if he, or his designee, determines such action to be in the best interests of the United States; but any family housing units acquired under authority of this subsection shall not exceed the cost limitations specified in this section for the project nor the limitations on size specified in section 2684 of title 10, United States Code. In no case may family housing units be acquired under this subsection through the exercise of eminent domain authority; and in no case may family housing units other than those authorized by this section be acquired in lieu of construction unless the acquisition of such units is hereafter specifically authorized by law.

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Approved September 30, 1976.

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**EXCERPT FROM MILITARY CONSTRUCTION AND RESERVE FORCES  
FACILITIES AUTHORIZATION ACTS, 1975**

[Public Law 93-552, 88 Stat. 1745]

**TITLE V—MILITARY FAMILY HOUSING AND HOME-  
OWNERS ASSISTANCE PROGRAM**

SEC. 501. The Secretary of Defense, or his designee, is authorized to construct, at the locations hereinafter named, family housing units and mobile home facilities in the numbers hereinafter listed, but no family housing construction shall be commenced at any such locations in the United States, until the Secretary shall have consulted with the Secretary of the Department of Housing and Urban Development as to the availability of adequate private housing at such locations. If agreement cannot be reached with respect to the availability of adequate private housing at any location, the Secretary of Defense shall immediately notify the Committees on Armed Services of the House of Representatives and the Senate, in writing, of such difference of opinion, and no contract for construction at such location shall be entered into for a period of thirty days after such notification has been given. This authority shall include the authority to acquire land, and interests in land, by gift, purchase, exchange of Government-owned land, or otherwise.

Approved December 27, 1974.

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**EXCERPT FROM MILITARY CONSTRUCTION AND RESERVE FORCES  
FACILITIES AUTHORIZATION ACTS, 1974**

[Public Law 93-166, 87 Stat. 661]

SEC. 515. During fiscal years 1975 and 1976,<sup>1</sup> the Secretaries of the Army, Navy, and Air Force, respectively, are authorized to lease housing facilities for assignment as public quarters to military personnel and their dependents, without rental charge, at or near any military

<sup>1</sup> Sec. 507(a)(1) of the Military Construction and Reserve Forces Authorization Acts Public Law 93-552, 88 Stat. 1745, approved December 27, 1974, substituted "1975 and 1976" for "1974 and 1975".

installation in the United States, Puerto Rico, or Guam, if the Secretary of Defense, or his designee, finds that there is a lack of adequate housing at or near such military installation and that (1) there has been a recent substantial increase in military strength and such increase is temporary, or (2) the permanent military strength is to be substantially reduced in the near future, or (3) the number of military personnel assigned is so small as to make the construction of family housing uneconomical, or (4) family housing is required for personnel attending service school academic courses on permanent change of station orders, or (5) family housing has been authorized but is not yet completed or a family housing authorization request is in a pending military construction authorization bill. Such housing facilities may be leased on an individual unit basis and not more than ten thousand such units may be so leased at any one time. Expenditures for the rental of such housing facilities, including the cost of utilities and maintenance and operation, may not exceed: For the United States (other than Alaska and Hawaii), Puerto Rico, and Guam an average of \$235 per month for each military department or the amount of \$310 per month for any one unit; and for Alaska and Hawaii, an average of \$295 per month for each military department, or the amount of \$365 per month for any one unit.<sup>1</sup>

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<sup>1</sup> Sec. 507(a)(2) of the Military Construction and Reserve Forces Authorization Acts, Public Law 93-552, 88 Stat. 1745, approved December 27, 1974, amended the third sentence of this section.

# VETERANS ADMINISTRATION

[Title 38, U.S.C. §§ 1802, et seq.]

## § 1802. Basic entitlement

(a) Each veteran who served on active duty at any time during World War II or the Korean conflict and whose total service was for ninety days or more, or who was discharged or released from a period of active duty, any part of which occurred during World War II or the Korean conflict, for a service-connected disability, shall be eligible for the benefits of this chapter. Entitlement derived from service during the Korean conflict (1) shall cancel any unused entitlement derived from service during World War II, and (2) shall be reduced by the amount by which entitlement from service during World War II, has been used to obtain a direct, guaranteed, or insured loan—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness of the veteran to the United States has been paid in full.

(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this chapter, the Administrator may exclude the amount of guaranty or insurance entitlement used for any guaranteed, insured, or direct loan, if—

(1) the property which secured the loan has been disposed of by the veteran or has been destroyed by fire or other natural hazard; and

(2) the loan has been repaid in full, or the Administrator has been released from liability as to the loan, or if the Administrator has suffered a loss on such loan, the loss has been paid in full; or

(3) an immediate veteran-transferee has agreed to assume the outstanding balance on the loan and consented to the use of veteran transferee's<sup>1</sup> entitlement, to the extent that the entitlement of the veteran-transferor had been used originally, in place of the veteran-transferor's for the guaranteed, insured, or direct loan, and the veteran-transferee otherwise meets the requirements of this chapter.

The Administrator may, in any case involving circumstances the Administrator<sup>1</sup> deems appropriate, waive one or more of the conditions prescribed in clauses (1) and (2) above.<sup>2</sup>

<sup>1</sup> Sec. 7(3) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1802(b) including clause (3) by substituting "veteran transferee's" for "his" and "the Administrator" for "he".

<sup>2</sup> Sec. 1802(b) of title 38, U.S.C. was amended by sec. 2(a) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974.



(c) An honorable discharge shall be deemed to be a certificate of eligibility to apply for a guaranteed loan. Any veteran who does not have a discharge certificate, or who received a discharge other than honorable, may apply to the Administrator for a certificate of eligibility. Upon making a loan guaranteed or insured under this chapter, the lender shall forthwith transmit to the Administrator a report thereon in such detail as the Administrator may, from time to time, prescribe. Where the loan is guaranteed, the Administrator shall provide the lender with a loan guaranty certificate or other evidence of the guaranty. The Administrator<sup>1</sup> shall also endorse on the veteran's discharge, or eligibility certificate, the amount and type of guaranty used, and the amount, if any, remaining. Nothing in this chapter shall preclude the assignment of any guaranteed loan or the security therefor.

(d) Loans will be automatically guaranteed under this chapter only if made (1) by any Federal land bank, national bank, State bank, private bank, building and loan association, insurance company credit union, or mortgage and loan company, that is subject to examination and supervision by an agency of the United States or of any State, (2) by any State, or (3)<sup>2</sup> by any lender approved by the Administrator pursuant to standards established by the Administrator.<sup>1</sup> Any loan proposed to be made to a veteran pursuant to this chapter by any lender not of a class specified in the preceding sentence may be guaranteed by the Administrator if the Administrator<sup>1</sup> finds that it is in accord otherwise with the provisions of this chapter.

(e) The Administrator may at any time upon thirty days' notice require loans to be made by any lender or class of lenders to be submitted to the Administrator<sup>3</sup> for prior approval. No guaranty or insurance liability shall exist with respect to any such loan unless evidence of guaranty or insurance is issued by the Administrator.

(f) Any loan at least 20 per centum of which is guaranteed under this chapter may be made by any national bank or Federal savings and loan association, or by any bank, trust company, building and loan association, or insurance company, organized or authorized to do business in the District of Columbia. Any such loan may be so made without regard to the limitations and restrictions of any other law relating to—

- (1) ratio of amount of loan to the value of the property;
- (2) maturity of loan;
- (3) requirement for mortgage or other security;
- (4) dignity of lien; or
- (5) percentage of assets which may be invested in real estate loans.

(g) A veteran's entitlement under this chapter shall not be reduced by any entitlement used by the veteran's spouse<sup>3</sup> which was based upon the provisions of paragraph (3) of section 1801(a) of this title.

<sup>1</sup> Sec. 7(4) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "He", "him", and "he" and substituted therefor "The Administrator", "the Administrator", and "the Administrator".

<sup>2</sup> Sec. 2(b) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, added this clause (3).

<sup>3</sup> Sec. 7(5) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "him" and "his wife" and substituted therefor "the Administrator" and "the veteran's spouse".

**§ 1863. Basic provisions relating to loan guaranty**

(a) (1) Any loan to a World War II or Korean conflict veteran, if made for any of the purposes, and in compliance with the provisions, specified in this chapter is automatically guaranteed by the United States in an amount not more than 60 per centum of the loan if the loan is made for any of the purposes specified in section 1810 of this title.<sup>1</sup>

(2) Any unused entitlement of World War II or Korean conflict veterans which expired under provisions of law in effect prior to the date of enactment of the Veterans' Housing Act of 1970 is hereby restored and shall not expire until used.

(b)<sup>2</sup> The liability of the United States under any guaranty, within the limitations of this chapter, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(c) (1) Loans guaranteed or insured under this chapter shall be payable upon such terms and conditions as may be agreed upon by the parties thereto, subject to the provisions of this chapter and regulations of the Administrator issued pursuant to this chapter, and shall bear interest not in excess of such rate as the Administrator may from time to time find the loan market demands, except that in establishing the rate of interest that shall be applicable to such loans, the Administrator shall consult with the Secretary of Housing and Urban Development regarding the rate of interest the Secretary considers necessary to meet the mortgage market for home loans insured under section 203(b) of the National Housing Act, and, to the maximum extent practicable, carry out a coordinated policy on interest rates on loans insured under such section 203(b) and on loans guaranteed or insured under this chapter.

(2) The provisions of the Servicemen's Readjustment Act of 1944 which were in effect before April 1, 1958, with respect to the interest chargeable on loans made or guaranteed under such Act shall, notwithstanding the provisions of paragraph (1) of this subsection, continue to be applicable—

(A) to any loan made or guaranteed before April 1, 1958; and

(B) to any loan with respect to which a commitment to guarantee was entered into by the Administrator before April 1, 1958.

(3) This section shall not be construed to prohibit a veteran from paying to a lender any reasonable discount required by such lender, when the proceeds from the loan are to be used:

(A) to refinance indebtedness pursuant to section 1810(a) (5);

(B) to repair, alter, or improve a farm residence or other dwelling pursuant to section 1810(a) (4);

(C) to construct a dwelling or farm residence on land already owned or to be acquired by the veteran except where the land is directly or indirectly acquired from a builder or developer who has contracted to construct such dwelling for the veteran; or

<sup>1</sup> Sec. 8(1) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the words "and not more than 50 per centum of the loan if the loan is for any of the purposes specified in section 1812, 1813, or 1814 of this title".

<sup>2</sup> Sec. 8(2) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the first sentence of this section 1803(b).

(D) to purchase a dwelling from a class of sellers which the Administrator determines are legally precluded under all circumstances from paying such a discount if the best interest of the veteran would be so served.<sup>1</sup>

(d) (1) The maturity of any loan shall not be more than thirty years and thirty-two days.<sup>2</sup>

(2) Any loan for a term of more than five years shall be amortized in accordance with established procedure.

(3) Any real estate loan other than for repairs, alterations, or improvements, shall be secured by a first lien on the realty. In determining whether a loan for the purchase or construction of a home is so secured, the Administrator may disregard a superior lien created by a duly recorded covenant running with the realty in favor of a private entity to secure an obligation to such entity for the homeowner's share of the costs of the management, operation, or maintenance of property, services or programs within and for the benefit of the development or community in which the veteran's realty is located, if the Administrator<sup>3</sup> determines that the interests of the veteran borrower and of the Government will not be prejudiced by the operation of such covenant. In respect to any such superior lien to be created after the effective date of this amendment, the Administrator's determination must have been made prior to the recordation of the covenant.<sup>4</sup>

#### § 1804. Restrictions on loans

(a) No loan for the purchase or construction of residential property shall be financed through the assistance of this chapter unless the property meets or exceeds minimum requirements for planning, construction, and general acceptability prescribed by the Administrator; however, this subsection shall not apply to a loan for the purchase of residential property on which construction is fully completed more than one year before such loan is made.

(b) Subject to notice and opportunity for a hearing, the Administrator may refuse to appraise any dwelling or housing project owned, sponsored, or to be constructed by any person identified with housing previously sold to veterans under this chapter as to which substantial deficiencies have been discovered, or as to which there has been a failure or indicated inability to discharge contractual liabilities to veterans, or as to which it is ascertained that the type of contract of sale or the methods or practices pursued in relation to the marketing of such properties were unfair or unduly prejudicial to veteran purchasers. The Administrator may also refuse to appraise any dwelling or housing project owned, sponsored, or to be constructed by any person refused the benefits of participation under the National Housing Act pursuant to a determination of the Secretary of Housing and Urban Development.<sup>5</sup>

<sup>1</sup> Sec. 2(c) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, added this new section (3).

<sup>2</sup> Sec 8(3) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat 1863, approved December 31, 1974, amended this section (d) (1).

<sup>3</sup> Sec. 7(6) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1803(d) (3) by striking "he" and inserting in lieu thereof "the Administrator".

<sup>4</sup> Sec. 8(4) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the last sentence of this section 1803(d) (3).

<sup>5</sup> Sec. 2(e) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the words "under section 512 of that Act".



(c) No loan for the purchase or construction of residential property shall be financed through the assistance of this chapter unless the veteran applicant, at the time that the veteran<sup>1</sup> applies for the loan, and also at the time that the loan is closed, certifies in such form as the Administrator may require, that the veteran<sup>1</sup> intends to occupy the property as the veteran's<sup>1</sup> home. No loan for the repair, alteration, or improvement of residential property shall be financed through the assistance of the provisions of this chapter unless the veteran applicant, at the time that the veteran<sup>1</sup> applies to the lender for the loan, and also at the time that the loan is closed, certifies, in such form as may be required by the Administrator, that the veteran<sup>1</sup> occupies the property as the veteran's<sup>1</sup> home. Notwithstanding the foregoing provisions of this subsection, in the case of a loan automatically guaranteed under this chapter, the veteran shall be required to make the certification only at the time the loan is closed.<sup>2</sup> For the purposes of this chapter the requirement that the veteran recipient of a guaranteed or direct home loan must occupy or intend to occupy the property as the veteran's<sup>1</sup> home means that the veteran as of the date of the veteran's<sup>1</sup> certification actually lives in the property personally as the veteran's<sup>1</sup> residence or actually intends upon completion of the loan and acquisition of the dwelling unit to move into the property personally within a reasonable time and to utilize such property as the veteran's<sup>1</sup> residence. Notwithstanding the foregoing requirements of this subsection, the provisions for certification by the veteran at the time the veteran<sup>1</sup> applies for the loan and at the time the loan is closed shall be considered to be satisfied if the Administrator finds that (1) in the case of a loan for repair, alteration, or improvement the veteran in fact did occupy the property at such times, or (2) in the case of a loan for construction or purchase the veteran intended to occupy the property as the veteran's<sup>1</sup> home at such times and the veteran<sup>1</sup> did in fact so occupy it when, or within a reasonable time after, the loan was closed.

(d) Subject to notice and opportunity for a hearing, whenever the Administrator finds with respect to guaranteed or insured loans that any lender or holder has failed to maintain adequate loan accounting records, or to demonstrate proper ability to service loans adequately or to exercise proper credit judgment or has willfully or negligently engaged in practices otherwise detrimental to the interest of veterans or of the Government, the Administrator<sup>3</sup> may refuse either temporarily or permanently to guarantee or insure any loans made by such lender or holder and may bar such lender or holder from acquiring loans guaranteed or insured under this chapter; however, the Administrator shall not refuse to pay a guaranty or insurance claim on loans theretofore entered into in good faith between a veteran and such lender. The Administrator may also refuse either temporarily or permanently to

<sup>1</sup> Sec. 7(7) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1804(c) by striking "he" and "his" each time they appear and inserting in lieu thereof "the veteran" and "the veteran's".

<sup>2</sup> Sec. 2(d) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, added this sentence.

<sup>3</sup> Sec. 7(8) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1804(d) by striking "he" and inserting in lieu thereof "the Administrator".

guarantee or insure any loans made by a lender or holder refused the benefits of participation under the National Housing Act pursuant to a determination of the Secretary of Housing and Urban Development.<sup>1</sup>

(e) No loan for the purchase or construction of new residential property (other than property served by a water and sewerage system approved by the Secretary of Housing and Urban Development pursuant to title X of the National Housing Act) shall be financed through the assistance of this chapter, except pursuant to a commitment made prior to the date of the enactment of the Housing and Urban Development Act of 1965, if such property is not served by a public or adequate community water and sewerage system and is located in an area where the appropriate local officials certify that the establishment of such systems is economically feasible. For purposes of this subsection, the economic feasibility of establishing public or adequate community water and sewerage systems shall be determined without regard to whether such establishment is authorized by law or is subject to approval by one or more local governments or public bodies.

### § 1805. Warranties

(a) The Administrator shall require that in connection with any property upon which there is located a dwelling designed principally for not more than a four-family residence and which is approved for guaranty or insurance before the beginning of construction, the seller or builder, and such other person as may be required by the Administrator to become warrantor, shall deliver to the purchaser or owner of such property a warranty that the dwelling is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein, which have been approved in writing by the Administrator) on which the Administrator based the Administrator's<sup>2</sup> valuation of the dwelling. The Administrator shall deliver to the builder, seller, or other warrantor the Administrator's<sup>2</sup> written approval (which shall be conclusive evidence of such approval) of any amendment of, or change or variation in, such plans and specifications which the Administrator deems to be a substantial amendment thereof, or change or variation therein, and shall be a copy of such written approval with such plans and specifications. Such warranty shall apply only with respect to such instances of substantial nonconformity to such approved plans and specifications (including any amendments thereof, or changes or variations therein, which have been approved in writing, as provided in this section, by the Administrator) as to which the purchaser or home owner has given written notice to the warrantor within one year from the date of conveyance of title to, or initial occupancy of, the dwelling, whichever first occurs. Such warranty shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument. The provisions of this section shall apply to any such property covered by a mortgage insured or guaranteed by the Administrator on and after October 1, 1954, unless such mortgage is insured or

<sup>1</sup> Sec. 2(e) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the words "under section 512 of that Act".

<sup>2</sup> Sec. 7(9) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "his" each time it appears and inserting in lieu thereof "the Administrator's".

guaranteed pursuant to a commitment therefor made before October 1, 1954.

(b) The Administrator shall permit copies of the plans and specifications (including written approvals of any amendments thereof, or changes or variations therein, as provided in this section) for dwellings in connection with which warranties are required by subsection (a) of this section to be made available in their appropriate local offices for inspection or for copying by any purchaser, home owner, or warrantor during such hours or periods of time as the Administrator may determine to be reasonable.

#### § 1806. Escrow of deposits and downpayments

(a) Any deposit or downpayment made by an eligible veteran in connection with the purchase of proposed or newly constructed and previously unoccupied residential property in a project on which the Administrator has issued a Certificate of Reasonable Value, which purchase is to be financed with a loan guaranteed, insured, or made under the provisions of this chapter, shall be deposited forthwith by the seller, or the agent of the seller, receiving such deposit or payment, in a trust account to safeguard such deposit or payment from the claims of creditors of the seller. The failure of the seller or the seller's<sup>1</sup> agent to create such trust account and to maintain it until the deposit or payment has been disbursed for the benefit of the veteran purchaser at settlement or, if the transaction does not materialize, is otherwise disposed of in accordance with the terms of the contract, may constitute an unfair marketing practice within the meaning of section 1804(b) of this chapter.

(b) If an eligible veteran contracts for the construction of a property in a project on which the Administrator has issued a Certificate of Reasonable Value and such construction is to be financed with the assistance of a construction loan to be guaranteed, insured, or made under the provisions of this chapter, it may be considered an unfair marketing practice under section 1804(b) of this chapter if any deposit or downpayment of the veteran is not maintained in a special trust account by the recipient until it is either (1) applied on behalf of the veteran to the cost of the land or to the cost of construction or (2), if the transaction does not materialize, is otherwise disposed of in accordance with the terms of the contract.

#### § 1807. Service after July 25, 1947, and prior to June 27, 1950

Each veteran whose only active duty service occurred after July 25, 1947, and prior to June 27, 1950, and who—

(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable; or

(2) served for a period of 180 days or less and was discharged or released for a service-connected disability;

shall be eligible for benefits of this chapter.<sup>2</sup>

\* \* \* \* \*

<sup>1</sup> Sec. 7(10) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "his" and inserting in lieu thereof "the seller's".

<sup>2</sup> Sec. 2(a) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, added a new section 1807.



**§ 1810. Purchase or construction of homes**

(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

(1) To purchase or construct a dwelling to be owned and occupied by the veteran<sup>1</sup> as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by the veteran<sup>1</sup> as the veteran's<sup>1</sup> home.

(3) To construct on land owned by the veteran<sup>1</sup> a farm residence to be occupied by the veteran,<sup>1</sup> as the veteran's<sup>1</sup> home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by the veteran<sup>1</sup> and occupied by the veteran<sup>1</sup> as the veteran's<sup>1</sup> home.

If there is an indebtedness which is secured by a lien against land owned by the veteran, the proceeds of a loan guaranteed under this section or made under section 1811 of this title for construction of a dwelling or farm residence on such land may be used also to liquidate such lien, but only if the reasonable value of the land is equal to or greater than the amount of the lien.

(5) To refinance existing mortgage loans or other liens which are secured of record on a dwelling or farm residence owned and occupied by the veteran<sup>1</sup> as the veteran's<sup>1</sup> home.<sup>2</sup>

(6) To purchase a one-family residential unit in a new condominium housing development or project, or in a structure built and sold as a condominium, provided such development, project or structure is approved by the Administrator under such criteria as the Administrator<sup>3</sup> shall prescribe.<sup>4</sup>

(b) No loan may be guaranteed under this section or made under section 1811 of this title unless—

(1) the proceeds of such loan will be used to pay for the property purchased, constructed, or improved;

(2) the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expenses;

(3) the veteran is a satisfactory credit risk;

(4) the nature and condition of the property is such as to be suitable for dwelling purposes;

(5) the loan to be paid by the veteran for such property or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator; and,

<sup>1</sup> Sec. 7(11) of the Veterans Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "him", "his", and "he" each time they appear and inserting in lieu thereof "the veteran". "the veteran's" and "the Administrator".

<sup>2</sup> Sec. 3(1) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the last sentence of subparagraph (5).

<sup>3</sup> Sec. 7(11) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "him", "his", and "he" each time they appear and inserting in lieu thereof "the veteran", "the veteran's" and "the Administrator".

<sup>4</sup> Sec. 3(2) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, added this new subsection (6).

(6) if the loan is for repair, alteration, or improvement of property, such repair, alteration, or improvement substantially protects or improves the basic livability or utility of such property.

After the reasonable value of any property, construction, repairs, or alterations is determined under paragraph (5), the Administrator shall, as soon as possible thereafter, notify the veteran concerned of such determination.

(c) The amount of guaranty entitlement available to a veteran under this section shall not be more than \$17,500<sup>1</sup> less such entitlement as may have been used previously under this section and other sections of this chapter.

(d) Repealed.<sup>2</sup>

### § 1811. Direct loans to veterans

(a) The Congress finds that housing credit under section 1810 or 1819 of this title is not and has not been generally available to veterans living in rural areas, or in small cities and towns not near large metropolitan areas. It is therefore the purpose of this section to provide housing credit for veterans living in such rural areas and such small cities and towns.

(b) Whenever the Administrator finds that private capital is not generally available in any rural area or small city or town for the financing of loans guaranteed under section 1810 or 1819 of this title, the Administrator<sup>3</sup> shall designate such rural area or small city or town as a "housing credit shortage area". The Administrator<sup>3</sup> shall, with respect to any such area, make, or enter into commitments to make, to any veteran eligible under this title, a loan for any or all of the purposes described in section 1810(a) or 1819 of this title.

(c) No loan may be made under this section to a veteran unless the veteran<sup>4</sup> shows to the satisfaction of the Administrator that—

(1) the veteran<sup>4</sup> is unable to obtain from a private lender in such housing credit shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans or mobile home loans, as appropriate, a loan for such purpose for which the veteran<sup>4</sup> is qualified under section 1810 or 1819 of this title, as appropriate; and

(2) the veteran<sup>4</sup> is unable to obtain a loan for such purpose from the Secretary of Agriculture under sections 1000–1029 of title 7 or under section 1471–1483 of title 42.

(d) (1) Loans made under this section shall bear interest at a rate determined by the Administrator, not to exceed the rate authorized for guaranteed home loans or mobile home loans, as appropriate, and shall

<sup>1</sup> Sec. 3(3) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, substituted "\$17,500" for "\$12,500".

<sup>2</sup> (Sec. 3(4) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, repealed subparagraph (d).

<sup>3</sup> Sec. 7(12) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "he" and "He" each time they appear and inserting in lieu thereof "the Administrator" and "The Administrator".

<sup>4</sup> Sec. 7(13) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "he" wherever it appears and inserting in lieu thereof "the veteran".

be subject to such requirements or limitations prescribed for loans guaranteed under this title as may be applicable.

(2) (A) Except for any loan made under this chapter for the purposes described in section 1819 of this title, the original principal amount of any loan made under this section shall not exceed an amount which bears the same ratio to \$33,000<sup>1</sup> as the amount of guaranty to which the veteran is entitled under section 1810 of this title at the time the loan is made bears to \$17,500;<sup>2</sup> and the guaranty entitlement of any veteran who heretofore or hereafter has been granted a loan under this section shall be charged with an amount which bears the same ratio to \$17,500<sup>1</sup> as the amount of the loan bears to \$33,000.<sup>1</sup>

(B) The original principal amount of any loan made under this section for the purposes described in section 1819 of this title shall not exceed the amount specified by the Administrator pursuant to subsection (d) of such section.

(3) No veteran may obtain loans under this section aggregating more than \$33,000.<sup>3</sup>

(e) Loans made under this section shall be repaid in monthly installments, except that in the case of any such loan made for any of the purposes described in paragraphs (2), (3), or (4) of section 1810(a) of this title, the Administrator may provide that such loan shall be repaid in quarterly, semiannual, or annual installments.

(f) In connection with any loan under this section, the Administrator may make advances in cash to pay taxes and assessments on the real estate, to provide for repairs, alterations, and improvements, and to meet the incidental expenses of the transaction. The Administrator shall determine the expenses incident to origination of loans made under this section, which expenses, or a reasonable flat allowance in lieu thereof, shall be paid by the veteran in addition to the loan closing costs.

(g) The Administrator may sell, and shall offer for sale, to any person or entity approved for such purpose by the Administrator,<sup>4</sup> any loan made under this section at a price which the Administrator<sup>4</sup> determines to be reasonable under the conditions prevailing in the mortgage market when the agreement to sell the loan is made; and shall guarantee any loan thus sold subject to the same conditions, terms, and limitations which would be applicable were the loan guaranteed under section 1810 or 1819 of this title, as appropriate.

(h) The Administrator may exempt dwellings constructed through assistance provided by this section from the minimum land planning and subdivision requirements prescribed pursuant to subsection (a) of

<sup>1</sup> Sec. 3(1) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, substituted "\$33,000" for "\$21,000" the first time it appeared. Sec. 3(1) of such Act also deleted the following: "\$21,000, except that the Administrator may increase the \$21,000 limitations specified in this paragraph to an amount not to exceed \$25,000 where he finds that cost levels so require.", and inserted in lieu thereof "\$33,000".

<sup>2</sup> Sec. 4 of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, substituted "\$17,500" for "\$12,500" each place it appeared in this subsection.

<sup>3</sup> Sec 3(2) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, deleted the following: "\$21,000; except that the Administrator may increase such aggregate amount to an amount not to exceed \$25,000 where he finds that cost levels so require", and substituted therefor "\$33,000".

<sup>4</sup> Sec. 7(14) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "him" and "he" and inserting in lieu thereof "the Administrator".



section 1804 of this title, and with respect to such dwellings may prescribe special minimum land planning and subdivision requirements which shall be in keeping with the general housing facilities in the locality but shall require that such dwellings meet minimum requirements of structural soundness and general acceptability.

(i) The Administrator is authorized, without regard to the provisions of subsections (a), (b), and (c) of this section, to make or enter into a commitment to make a loan to any veteran to assist the veteran in acquiring a specially adapted housing unit authorized under chapter 21 of this title, if the veteran is determined to be eligible for the benefits of such chapter 21, and is eligible for loan guaranty benefits under this chapter.

(j) (1) If any builder or sponsor proposes to construct one or more dwellings in a housing credit shortage area, or in any area for a veteran who is determined to be eligible for assistance in acquiring a specially adapted housing unit under chapter 21 of this title, the Administrator may enter into commitment with such builder or sponsor, under which funds available for loans under this section will be reserved for a period not in excess of three months, or such longer period as the Administrator may authorize to meet the needs in any particular case, for the purpose of making loans to veterans to purchase such dwellings. Such commitment may not be assigned or transferred except with the written approval of the Administrator. The Administrator shall not enter into any such commitment unless such builder or sponsor pays a non-refundable commitment fee to the Administrator in an amount determined by the Administrator, not to exceed 2 per centum of the funds reserved for such builder or sponsor.

(2) Whenever the Administrator finds that a dwelling with respect to which funds are being reserved under this subsection has been sold, or contracted to be sold, to a veteran eligible for a direct loan under this section, the Administrator shall enter into a commitment to make the veteran a loan for the purchase of such dwelling. With respect to any loan made to an eligible veteran under this subsection, the Administrator may make advances during the construction of the dwelling, up to a maximum in advances of (A) the cost of the land plus (B) 80 per centum of the value of the construction in place.

(3) As used in this subsection, the term "working days" means calendar days exclusive of Saturdays, Sundays, and legal holidays.

(k) Without regard to any other provision of this chapter, the Administrator may take or cause to be taken such action as in the Administrator's<sup>1</sup> judgment may be necessary or appropriate for or in connection with the custody, management, protection, and realization or sale of investments under this section, may determine the Administrator's<sup>1</sup> necessary expenses and expenditures, and the manner in which the same shall be incurred, allowed and paid, may make such rules, regulations, and orders as the Administrator<sup>1</sup> may deem necessary or appropriate for carrying out the Administrator's<sup>1</sup> functions under this section and section 1823 of this title and, except as otherwise expressly provided in this chapter, may employ, utilize, compen-

<sup>1</sup> Sec. 7(15) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "his" and "he" each time it appears and inserting in lieu thereof "the Administrator's" and "the Administrator".

sate, and, to the extent not inconsistent with the Administrator's<sup>1</sup> basic responsibilities under this chapter, delegate any of the Administrator's<sup>1</sup> functions under this section and section 1823 of this title to such persons and such corporate or other agencies, including agencies of the United States, as the Administrator<sup>1</sup> may designate.

**§ 1812. Repealed.<sup>2</sup>**

**§ 1813. Repealed.<sup>3</sup>**

**§ 1814. Repealed.<sup>3</sup>**

**§ 1815. Insurance of loans**

(a) Any loan which might be guaranteed under the provisions of this chapter, when made or purchased by any financial institution subject to examination and supervision by an agency of the United States or of any State may, in lieu of such guaranty, be insured by the Administrator under an agreement whereby the Administrator<sup>4</sup> will reimburse any such institution for losses incurred on such loan up to 15 per centum of the aggregate of loans so made or purchased by it.

(b) Loans insured under this section shall be made on such other terms, conditions, and restrictions as the Administrator may prescribe within the limitations set forth in this chapter.<sup>5</sup>

**§ 1816. Procedure on default**

(a) In the event of default in the payment of any loan guaranteed under this chapter, the holder of the obligation shall notify the Administrator who shall thereupon pay to such holder the guaranty not in excess of the pro rata portion of the amount originally guaranteed, and shall be subrogated to the rights of the holder of the obligation to the extent of the amount paid on the guaranty. Before suit or foreclosure the holder of the obligation shall notify the Administrator of the default, and within thirty days thereafter the Administrator may, at the Administrator's<sup>6</sup> option, pay the holder of the obligation the unpaid balance of the obligation plus accrued interest and receive an assignment of the loan and security. Nothing in this section shall preclude any forbearance for the benefit of the veteran as may be agreed upon by the parties to the loan and approved by the Administrator. The Administrator may establish the date, not later than the date of judgment and decree of foreclosure or sale, upon which accrual of interest or charges shall cease.

(b) With respect to any loan made under section 1811 which has not been sold as provided in subsection (g) of such section, if the Administrator finds, after there has been a default in the payment of any

<sup>1</sup> Sec. 7(15) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "his" and "he" each time it appears and inserting in lieu thereof "the Administrator's" and "the Administrator".

<sup>2</sup> Sec. 7(a) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, repealed section 1812.

<sup>3</sup> Sec. 7(a) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, repealed sections 1813 and 1814.

<sup>4</sup> Sec. 7(16) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended this section by striking "he" and inserting in lieu thereof "the Administrator".

<sup>5</sup> Sec. 8(5) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted the last sentence of this section 1815(b).

<sup>6</sup> Sec. 7(17) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended paragraphs (a) and (b) of this section by striking "his" and "he" each time they appear and inserting in lieu thereof "the Administrator's" and "the Administrator".



installment of principal or interest owing on such loan, that the default was due to the fact that the veteran who is obligated under the loan has become unemployed as the result of the closing (in whole or in part) of a Federal installation, the Administrator<sup>1</sup> shall (1) extend the time for curing the default to such time as the Administrator<sup>1</sup> determines is necessary and desirable to enable such veterans to complete payments on such loan, including an extension of time beyond the stated maturity thereof, or (2) modify the terms of such loan for the purpose of changing the amortization provisions thereof by recasting, over the remaining term of the loan, or over such longer period as the Administrator<sup>1</sup> may determine, the total unpaid amount then due with the modification to become effective currently or upon the termination of an agreed-upon extension of the period for curing the default.

### § 1817. Release from liability under guaranty

(a) Whenever any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by the veteran,<sup>2</sup> the Administrator, upon application made by such veteran and by the transferee incident to such disposal, shall issue to such veteran in connection with such disposal a release relieving the veteran<sup>2</sup> of all further liability to the Administrator on account of such loan (including liability for any loss resulting from any default of the transferee or any subsequent purchaser of such property) if the Administrator has determined, after such investigation as the Administrator<sup>2</sup> may deem appropriate, that (1) the loan is current, and (2) the purchaser of such property from such veteran (A) is obligated<sup>2</sup> by contract to purchase such property and to assume full liability for the repayment of the balance of the loan remaining unpaid, and has assumed by contract all of the obligations of the veteran under the terms of the instruments creating and securing the loan, and (B) qualifies from a credit standpoint, to the same extent as if the transferee<sup>2</sup> were a veteran eligible under section 1810 of this title, for a guaranteed or insured or direct loan in an amount equal to the unpaid balance of the obligation for which the transferee<sup>2</sup> has assumed liability.

(b) If any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by the veteran<sup>3</sup> under this chapter without receiving a release from liability with respect to such loan under subsection (a), and a default subsequently occurs which results in liability of the veteran to the Administrator on account of the loan, the Administrator may relieve the veteran of such liability if the Administrator<sup>3</sup> determines, after such investigation as the Administrator<sup>3</sup> deems appropriate, that the property was disposed of by the veteran in such a manner, and subject to such conditions, that the Administrator would have issued the veteran a release from lia-

<sup>1</sup> Sec. 7(17) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended paragraphs (a) and (b) of this section by striking "his" and "he" each time they appear and inserting in lieu thereof "the Administrator's" and "the Administrator".

<sup>2</sup> Sec. 7(18) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1817(a) as follows: by striking out "him" wherever it appears and inserting in lieu thereof "the veteran"; by striking "he" the first it appears and inserting in lieu thereof "the Administrator"; by deleting the words "has obligated himself" and inserting in lieu thereof "is obligated"; by striking out "he" the second and third time it appears and inserting in lieu thereof "the transferee".

<sup>3</sup> Sec. 7(19) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1817(b) by striking out "him" and "he" and inserting in lieu thereof "the veteran" and "the Administrator".



bility under subsection (a) with respect to the loan if the veteran had made application therefor incident to such disposal. Failure of a transferee to assume by contract all of the liabilities of the original veteran-borrower shall bar such release of liability only in cases in which no acceptable transferee, either immediate or remote, is legally liable to the Administrator for the indebtedness of the original veteran-borrower arising from termination of the loan. The failure of a veteran to qualify for release from liability under this subsection does not preclude relief from being granted under subsection 3102(b) of this title, if eligible thereunder.

**§ 1818. Veterans who served after January 31, 1955**

(a)<sup>1</sup> Each veteran who served on active duty, any part of which occurred after January 31, 1955, and who—

(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable;

(2) has served more than 180 days in active duty status and continues on active duty without a break therein; or

(3) was discharged or released from active duty after such date for a service-connected disability;

shall be eligible for the benefits of this chapter, subject to the provisions of this section.

(b) Entitlement under subsection (a), (1) shall cancel any unused entitlement under other provisions of this chapter derived from service during World War II or the Korean conflict, and (2) shall be reduced by the amount by which entitlement from service during World War II or the Korean conflict has been used to obtain a direct, guaranteed, or insured loan—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness has been paid in full.

(c)<sup>2</sup> An entitlement to the benefits of this section which had not expired as of the date of enactment of the Veterans' Housing Act of 1970 and any entitlement to such benefits accruing after such date shall not expire until used.

**§ 1819. Loans to purchase mobile homes and mobile home lots**

(a) Notwithstanding any other provision of this chapter, any veteran eligible for loan guaranty benefits under this chapter who has maximum home loan guaranty entitlement available for use shall be eligible for the mobile home loan guaranty benefit or the mobile home lot loan guaranty benefit, or both,<sup>3</sup> under this section. Use of the mobile

<sup>1</sup> Sec. 4 of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1818(a) of title 38, U.S.C. to read as set forth in the text.

<sup>2</sup> Sec. 8(7) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, deleted paragraph (c) in its entirety and redesignated paragraph (d) as paragraph (c).

<sup>3</sup> Sec. 5(1) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, amended subsection (a) of section 1819 by inserting "or the mobile home lot loan guaranty benefit, or both," after the words "loan guaranty benefit" each time it appears.

home loan guaranty benefit or the mobile home lot loan guaranty benefit, or both,<sup>1</sup> provided by this section shall preclude the use of any home loan guaranty entitlement under any other section of this chapter until the loan guaranteed<sup>2</sup> under this section has been paid in full.

(b) (1) <sup>3</sup> Subject to the limitations in subsection (d) of this section, a loan to purchase a mobile home under this section may include (or be augmented by a separate loan for) (A) <sup>4</sup> an amount to finance the acquisition of a lot on which to place such home, and (B) <sup>5</sup> an additional amount to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities and paving, and the construction of a suitable pad.

(2)<sup>5</sup> Subject to the limitations in subsection (d) of this section, a loan may be made to purchase a lot on which to place a mobile home if the veteran already has such a home. Such a loan may include an amount sufficient to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad.

(c) (1) Any loan to a veteran eligible under subsection (a) shall be guaranteed by the Administrator if (A) <sup>6</sup> the loan is for the purpose of purchasing a new mobile home or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator, or the loan is for the purpose of purchasing a lot on which to place a mobile home previously purchased by the veteran, whether or not such mobile home was purchased with a loan guaranteed, insured or made by another Federal agency, and <sup>7</sup> (B) the loan complies in all other respects with the requirements of this section. Loans for such purpose (including those which will also finance the acquisition of a lot or site preparation as authorized by subsection (b) of this section) shall be submitted to the Administrator for approval prior to loan closing except that the Administrator may exempt any lender of a class listed in section 1802(d) of this title from compliance with such

<sup>1</sup> Sec. 5(1) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, amended subsection (a) of section 1819 by inserting "or the mobile home lot loan guaranty benefit, or both," after the words "loan guaranty benefit" each time it appears.

<sup>2</sup> Sec. 5(1) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, also amended this section by deleting the words "mobile home" immediately before "loan guaranteed".

<sup>3</sup> Sec. 5(2)(A) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974 inserted "(1)" immediately following "(b)".

<sup>4</sup> Sec. 5(2)(B) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, redesignated clauses "(1)" and "(2)" as clauses "(A)" and "(B)".

<sup>5</sup> Sec. 5(2)(C) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, inserted a new paragraph (2).

<sup>6</sup> Sec. 5(3) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, redesignated clauses "(1)" and "(2)" as "(A)" and "(B)", deleted the word "and" at the end of redesignated clause "(A)" and inserted the words "or the loan is for the purpose of purchasing a lot on which to place a mobile home agency," and inserting in lieu thereof "or for the purchase of a used mobile home which a loan guaranteed, insured or made by another Federal agency, and".

<sup>7</sup> Sec. 5(4) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, further amended this subsection by deleting the words "or for the purchase of a used mobile home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency," and inserting in lieu thereof "or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator,".



prior approval requirement if the Administrator<sup>1</sup> determines that the experience of such lender or class of lenders in mobile home financing warrants such exemption.

(2) Upon determining that a loan submitted for prior approval is eligible for guaranty under this section, the Administrator shall issue a commitment to guarantee such loan and shall thereafter guarantee the loan when made if such loan qualifies therefor in all respects.

(3) The Administrator's guaranty shall not exceed 50 percent<sup>2</sup> of the loan, including any amount for lot acquisition and site preparation, and payment of such guaranty shall be made only after liquidation of the security for the loan and the filing of an accounting with the Administrator. In any such accounting the Administrator shall permit to be included therein accrued unpaid interest from the date of the first uncured default to such cutoff date as the Administrator may establish, and the Administrator<sup>1</sup> shall allow the holder of the loan to charge against the liquidation or resale proceeds, accrued interest from the cutoff date established to such further date as the Administrator<sup>1</sup> may determine and such costs and expenses as the Administrator<sup>1</sup> determines to be reasonable and proper. The liability of the United States under the guaranty provided for by this section shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(d)(1) The Administrator shall establish a loan maximum for each type of loan authorized by this section. In the case of a new mobile home, the Administrator may establish a maximum loan amount based on the manufacturer's invoice cost to the dealer and such other cost factors as the Administrator considers proper to take into account. In the case of a used mobile home, the Administrator shall establish a maximum loan amount based on the Administrator's<sup>3</sup> determination of the reasonable value of the property. In the case of any lot on which to place a mobile home, whether or not the mobile home was financed with assistance under this section, and in the case of necessary site preparation, the loan amount for such purposes may not exceed the reasonable value of such lot or an amount appropriate to cover the cost of necessary site preparation or both, as determined by the Administrator.<sup>4</sup>

(2) The maximum permissible loan amounts and the term for which the loans are made shall not exceed—

(A) \$12,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home only and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

<sup>1</sup> Sec. 7(20) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended paragraphs 1819(c) (1) and (3) by striking "he" wherever it appears and inserting in lieu thereof "the Administrator".

<sup>2</sup> Sec. 5 of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, deleted "30 per centum" in the first sentence and substituted therefor "50 percent".

<sup>3</sup> Sec. 7(21) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended paragraph 1819(d) (1) and (3) by striking "his" and "he" each time they appear and inserting in lieu thereof "the Administrator's" and "the Administrator".

<sup>4</sup> Sec. 5(5) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, amended the last sentence of subsection (d)(1).



(B) \$20,000 for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home only and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

(C) \$20,000 (but not to exceed \$12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

(D) \$27,500 (but not to exceed \$20,000 for the mobile home) for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

(E) \$20,000 (but not to exceed \$12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home and a suitably developed lot on which to place such home, or

(F) \$27,500 (but not to exceed \$20,000 for the mobile home) for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home and a suitably developed lot on which to place such home, or

(G) \$7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of only an undeveloped lot on which to place a mobile home owned by the veteran, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

(H) \$7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a suitably developed lot on which to place a mobile home owned by the veteran.<sup>1</sup>

(3) Such limitations set forth in paragraph (2) of this subsection on the amount and term of any loan shall not be deemed to preclude the Administrator, under regulations which the Administrator<sup>2</sup> shall prescribe, from consenting to necessary advances for the protection of the security or the holder's lien, or to a reasonable extension of the term or reamortization of such loan.

(e) No loan shall be guaranteed under this section unless—

(1) the loan is repayable in approximately equal monthly installments;

(2) the terms of repayment bear a proper relationship to the veteran's present and anticipated income and expenses, and the veteran is a satisfactory credit risk, taking into account the purpose of this program to make available lower cost housing to low and lower income veterans, especially those who have been recently discharged or released from active military, naval, or air service, who may not have previously established credit ratings;

<sup>1</sup> Sec. 5(6) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, amended subsection (d) (2).

<sup>2</sup> Sec. 7(21) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1819(d) (1) and (3) by striking "his" and "he" each time they appear and inserting in lieu thereof "the Administrator's" and "the Administrator".

(3) the loan is secured by a first lien on the mobile home purchased with the proceeds of the loan and on any lot acquired or improved with the proceeds of the loan;<sup>1</sup>

(4) the amount of the loan, subject to the maximums established in subsection<sup>2</sup> (d) of this section, is not in excess of the maximum amount prescribed by the Administrator;

(5) the veteran certifies, in such form as the Administrator shall prescribe, that the veteran<sup>2</sup> will personally occupy the property as the veteran's<sup>2</sup> home;

(6) the mobile home is or will be placed on a site which meets specifications which the Administrator shall establish by regulation; and

(7) the interest rate to be charged on the loan does not exceed the permissible rate established by the Administrator.

(f) The Administrator shall establish such rate of interest for mobile home loans and mobile home lot loans<sup>3</sup> as the Administrator<sup>4</sup> determines to be necessary in order to assure a reasonable supply of mobile home loan financing for veterans under this section.

(g) Entitlement to the loan guaranty benefit used under this section shall be restored a single time for any veteran by the Administrator provided the first loan has been repaid in full.

(h) The Administrator shall promulgate such regulations as the Administrator<sup>4</sup> determines to be necessary or appropriate in order to fully implement the provisions of this section, and such regulations may specify which provisions in other sections of this chapter the Administrator<sup>4</sup> determines should be applicable to loans guaranteed or made under this section. The Administrator shall have such powers and responsibilities in respect to matters arising under this section as the Administrator<sup>4</sup> has in respect to loans made or guaranteed or under other sections of this chapter.

(i) No loan for the purchase of a mobile home shall be guaranteed under this section unless the mobile home and lot, if any, meet or exceed standards for planning, construction, and general acceptability as prescribed by the Administrator and no loan for the purchase of a lot on which to place a mobile home owned by a veteran shall be guaranteed under this section unless the lot meets such standards prescribed for mobile home lots.<sup>5</sup> Such standards shall be designed to encourage the maintenance and development of sites for mobile homes which will be attractive residential areas and which will be free from, and not

<sup>1</sup> Sec. 5(7) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, inserted a new paragraph (3).

<sup>2</sup> Sec. 7(22) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1819(e) (4) and (5) by striking "subparagraph" and inserting in lieu thereof "subsection", by striking "he" and inserting in lieu thereof "the veteran", and by striking "his" and inserting in lieu thereof "the veteran's".

<sup>3</sup> Sec. 5(8) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, inserted the words "and mobile home lot loans" immediately after the word "loans".

<sup>4</sup> Sec. 7(23) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1819 (f), (h), (k), and (l) by striking "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the manufacturer's".

<sup>5</sup> Sec. 5(9) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, inserted the words "and no loan for the purchase of a lot on which to place a mobile home owned by a veteran shall be guaranteed under this section unless the lot meets such standards prescribed for mobile home lots" immediately after "Administrator".

substantially contribute to, adverse scenic or environmental conditions. For the purpose of assuring compliance with such standards, the Administrator shall from time to time inspect the manufacturing process of mobile homes to be sold to veterans and conduct random onsite inspections of mobile homes purchased with assistance under this chapter.

(j) The Administrator shall require the manufacturer to become a warrantor of any new mobile home which is approved for purchase with financing through the assistance of this chapter and to furnish to the purchaser a written warranty in such form as the Administrator shall require. Such warranty shall include (1) a specific statement that the mobile home meets the standards prescribed by the Administrator pursuant to the provisions of subsection (i) of this section; and (2) a provision that the warrantor's liability to the purchaser or owner is limited under the warranty to instances of substantial nonconformity to such standards which become evident within one year from date of purchase and as to which the purchaser or owner gives written notice to the warrantor not later than ten days after the end of the warranty period. The warranty prescribed herein shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument and shall so provide in the warranty document.

(k) Subject to notice and opportunity for a hearing, the Administrator is authorized to deny guaranteed or direct loan financing in the case of mobile homes constructed by any manufacturer who refuses to permit the inspections provided for in subsection (i) of this section; or in the case of mobile homes which are determined by the Administrator not to conform to the aforesaid standards; or where the manufacturer of mobile homes fails or is unable to discharge the manufacturer's <sup>1</sup> obligations under the warranty.

(l) Subject to notice and opportunity for a hearing, the Administrator may refuse to approve as acceptable any site in a mobile home park or subdivision owned or operated by any person whose rental or sale methods, procedures, requirements, or practices are determined by the Administrator to be unfair or prejudicial to veterans renting or purchasing such sites. The Administrator may also refuse to guarantee or make direct loans for veterans to purchase mobile homes offered for sale by any dealer if substantial deficiencies have been discovered in such homes, or if the Administrator <sup>1</sup> determines that there has been a failure or indicated inability of the dealer to discharge contractual liabilities to veterans, or that the type of contract of sale or methods, procedures, or practices pursued by the dealer in the marketing of such properties have been unfair or prejudicial to veteran purchasers.

(m) The Administrator's annual report to Congress shall, beginning 12 months following the date of enactment of the Veterans' Housing Act of 1970, include a report on operations under this section, including the results of inspections required by subsection (i) of this

<sup>1</sup> Sec. 7(23) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1819 (f), (h), (k), and (l) by striking "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the manufacturer's".



section, experience with compliance with the warranty required by subsection (j) of this section, and the experience regarding defaults and foreclosures.

(n) The provisions of section 1804(d) and section 1821 of this chapter shall be fully applicable to lenders making guaranteed mobile home loans and mobile home lot loans<sup>1</sup> and holders of such loans.

(o) Repealed.<sup>2</sup>

### § 1820. Powers of Administrator

(a) Notwithstanding the provisions of any other law, with respect to matters arising by reason of this chapter, the Administrator may—

(1) sue and be sued in the Administrator's<sup>3</sup> official capacity in any court of competent jurisdiction, State or Federal;

(2) subject to specific limitations in this chapter, consent to the modification, with respect to rate of interest, time of payment of principal or interest or any portion thereof, security or other provisions of any note, contract, mortgage or other instrument securing a loan which has been guaranteed, insured, made or acquired under this chapter;

(3) pay, or compromise, any claim on, or arising because of, any such guaranty or insurance;

(4) pay, compromise, waive or release any right, title, claim, lien or demand, however acquired, including any equity or any right of redemption;

(5) purchase at any sale, public or private, upon such terms and for such prices as the Administrator<sup>3</sup> determines to be reasonable, and take title to, property, real, personal or mixed; and similarly sell, at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and

(6) complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this chapter. The acquisition of any such property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction of, on, or over such property (including power to tax) or impair the rights under the State or local law of any persons on such property. Without regard to section 3617, Revised Statutes (31 U.S.C. 484), or any other provision of law not expressly in limitation of this paragraph, the Administrator may permit brokers utilized by the Administrator<sup>4</sup> in connection with such properties to deduct from rental collections amounts covering authorized fees, costs, and expenses incurred in connection with the management, repair, sale, or lease of any such properties and remit the net balances to the Administrator.

<sup>1</sup> Sec. 5(10) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, inserted the words "and mobile home lot loans" following "mobile home loans".

<sup>2</sup> Sec. 5(11) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, repealed subsection "(o)".

<sup>3</sup> Sec. 7(24) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1820(a), clauses (1) and (5) by striking "his" and "he" and inserting in lieu thereof "the Administrator's" and "the Administrator".

<sup>4</sup> Sec. 7(25) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1820(a)(6) by striking "him" and inserting in lieu thereof "the Administrator".

(b) The powers granted by this section may be exercised by the Administrator without regard to any other provision of law not enacted expressly in limitation of this section; which otherwise would govern the expenditure of public funds; however, section 5 of title 41 shall apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract exceeds \$1,000.

(c) The financial transactions of the Administrator incident to, or arising out of, the guaranty or insurance of loans pursuant to this chapter, and the acquisition, management, and disposition of property, real, personal, or mixed, incident to such activities and pursuant to this section, shall be final and conclusive upon all officers of the Government.

(d) The right to redeem provided for by section 2410(c) of title 28 shall not arise in any case in which the subordinate lien or interest of the United States derives from a guaranteed or insured loan.

(e)(1) The Administrator is authorized from time to time, as the Administrator<sup>1</sup> determines advisable, to set aside first mortgage loans and installment sale contracts, owned and held by the Administrator<sup>1</sup> under this chapter as the basis for the sale of participation certificates as herein provided. For this purpose the Administrator may enter into agreements, including trust agreements, with the Government National Mortgage Association, and any other Federal agency, under which the Association as fiduciary may sell certificates of participation based on principal and interest collections to be received by the Administrator and the Association or any other such agency on first mortgage loans and installment sale contracts comprising mortgage pools established by them. The agreement may provide for substitution or withdrawal of mortgage loans, or installment sale contracts, or for substitution of cash for mortgages in the pool. The agreement shall provide that the Government National Mortgage Association shall promptly pay to the Administrator the entire proceeds of any sale of certificates of participation to the extent such certificates are based on mortgages, including installment sale contracts, set aside by the Administrator and the Administrator<sup>1</sup> shall periodically pay to the Association, as fiduciary, such funds as are required for payment of interest and principal due on outstanding certificates of participation to the extent of the pro rata amount allocated to the Administrator pursuant to the agreement. The agreement shall also provide that the Administrator shall retain ownership of mortgage loans and installment sale contracts set aside by the Administrator<sup>1</sup> pursuant to the agreement unless transfer of ownership to the fiduciary is required in the event of default or probable default in the payment of participation certificates. The Administrator is authorized to purchase outstanding certificates of participation to the extent of the amount of the Administrator's<sup>1</sup> commitment to the fiduciary on participations outstanding and to pay the Administrator's<sup>1</sup> proper share of the costs

<sup>1</sup> Sec. 7(26) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1820(e) clauses (1) and (2) by striking "he", "him" and "his" and inserting in lieu thereof "the Administrator", "the Administrator", and "Administrator's".



and expenses incurred by the Government National Mortgage Association as fiduciary pursuant to the agreement.

(2) The Administrator shall proportionately allocate and deposit the entire proceeds received from the sale of participations into the funds established pursuant to sections 1823 and 1824 of this chapter, as determined on an estimated basis, and the amounts so deposited shall be available for the purposes of the funds. The Administrator may nevertheless make such allocations of that part of the proceeds of participation sales representing anticipated interest collections on mortgage loans, including installment sale contracts, on other than estimated proportionate basis if determined necessary to assure payment of interest on advances theretofore made to the Administrator by the Secretary of the Treasury for direct loan purposes. The Administrator shall set aside and maintain necessary reserves in the funds established pursuant to sections 1823 and 1824 of this chapter to be used for meeting commitments pursuant to this subsection and, as the Administrator<sup>1</sup> determines to be necessary, for meeting interest payments on advances by the Secretary of the Treasury for direct loan purposes.

(f) Whenever loss, destruction, or damage to any residential property securing loans guaranteed, insured, made, or acquired by the Administrator under this chapter occurs as the result of a major disaster as determined by the President under the Disaster Relief Act of 1974, the Administrator shall (1) provide counseling and such other service to the owner of such property as may be feasible and shall inform such owner concerning the disaster assistance available from other Federal agencies and from State or local agencies, and (2) pursuant to subsection (a) (2) of this section, extend on an individual case basis such forbearance or indulgence to such owner as the Administrator determines to be warranted by the facts of the case and the circumstances of such owner.

### § 1821. Incontestability

Any evidence of guaranty or insurance issued by the Administrator shall be conclusive evidence of the eligibility of the loan for guaranty or insurance under the provisions of this chapter and of the amount of such guaranty or insurance. Nothing in this section shall preclude the Administrator from establishing, as against the original lender, defenses based on fraud or material misrepresentation. The Administrator shall not, by reason of anything contained in this section, be barred from establishing, by regulations in force at the date of such issuance or disbursement, whichever is the earlier, partial defenses to the amount payable on the guaranty or insurance.

### § 1822. Repealed<sup>2</sup>

### § 1823. Direct loan revolving fund

(a) For the purposes of section 1811 of this title, the revolving fund heretofore established by section 513 of the Servicemen's Readjust-

<sup>1</sup> Sec. 7(26) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1820(e) clauses (1) and (2) by striking "he", "him" and "his" and inserting in lieu thereof "the Administrator", "the Administrator", and "the Administrator's".

<sup>2</sup> Sec. 7(a) of the Veterans Housing Act of 1974, Public Law 93-569, 88 Stat. 1863, approved December 31, 1974, repealed section 1822.



ment Act of 1944 is continued in effect. For the purposes of further augmenting the revolving fund, the Secretary of the Treasury is authorized and directed to advance to the Administrator from time to time after December 31, 1958, and until June 30, 1961, such sums (not in excess of \$150,000,000 in any one fiscal year, including prior advancements in fiscal year 1959) as the Administrator may request, except that the aggregate so advanced in any one quarter annual period shall not exceed the sum of \$50,000,000, less that amount which has been returned to the revolving fund during the preceding quarter annual period from the sale of loans pursuant to section 1811(g) of this title. In addition to the sums authorized in this subsection the Secretary of the Treasury shall also advance to the Administrator such additional sums, not in excess of \$100,000,000, as the Administrator may request, and the sums so advanced shall be made available without regard to any limitation contained in this subsection with respect to the amount which may be advanced in any one quarter annual period. The Secretary of the Treasury shall also advance to the Administrator from time to time such additional sums as the Administrator may request, not in excess of \$100,000,000 to be immediately available, plus an additional amount not in excess of \$400,000,000 after June 30, 1961, plus \$200,000,000 after June 30, 1962, plus \$150,000,000 after June 30, 1963, plus \$150,000,000 after June 30, 1964, plus \$100,000,000 after June 30, 1965, plus \$100,000,000 after June 30, 1966. Any such authorized advance which is not requested by the Administrator in the fiscal year in which the advance may be made shall be made thereafter when requested by the Administrator, except that no such request or advance may be made after June 30, 1967. Such authorized advances are not subject to the quarter annual limitation in the second sentence of this subsection, but the amount authorized to be advanced in any fiscal year after June 30, 1962, shall be reduced only by the amount which has been returned to the revolving fund during the preceding fiscal year from the sale of loans pursuant to section 1811(g) of this title. In addition the Secretary is authorized and directed to make available to the Administrator for this purpose from time to time as the Administrator<sup>1</sup> may request the amount of any funds which may have been deposited to the credit of miscellaneous receipts under this subsection or subsection (c) of this section.<sup>2</sup>

(b) On advances to such revolving fund by the Secretary of the Treasury, less those amounts deposited in miscellaneous receipts under subsections (a) and (c) the Administrator shall pay semiannually to the Treasurer of the United States interest at the rate or rates determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the advance. The Administrator shall not be required to pay interest on transfers made pursuant to the Act of February 13, 1962 (76 Stat. 8), from the capital of the "direct loans to veterans and reserves revolving fund" to the "loan guaranty revolving fund" and adjustments shall be made for payments of interest on such transfers before the date of enactment of this sentence.

<sup>1</sup> Sec. 7(27) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1823 (a) and (c) by striking "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's".

<sup>2</sup> Sec. 6(1) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, deleted the last sentence of paragraph 1823(a).

(c) In order to make advances to such revolving fund, as authorized by law to effectuate the purposes and functions authorized in section 1811 of this title, the Secretary of the Treasury may use, as a public debt transaction, the proceeds of the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under the Second Liberty Bond Act include such purposes. Such sums, together with all receipts under this section and section 1811 of this title, shall be deposited with the Treasurer of the United States, in a special deposit account, and shall be available, respectively, for disbursement for the purposes of section 1811 of this title. Except as otherwise provided in subsection (a) of this section, the Administrator shall from time to time cause to be deposited into the Treasury of the United States, to the credit of miscellaneous receipts, such of the funds in such account as in the Administrator's<sup>1</sup> judgment are not needed for the purposes for which they were provided, including the proceeds of the sale of any loans.<sup>2</sup>

### § 1824. Loan guaranty revolving fund

(a) There is hereby established in the Treasury of the United States a revolving fund known as the Veterans' Administration Loan Guaranty Revolving Fund (hereinafter called the Fund).

(b) The Fund shall be available to the Administrator when so provided in appropriation Acts and within such limitations as may be included in such Acts, without fiscal year limitation, for all loan guaranty and insurance operations under this chapter, except administrative expenses.

(c) There shall be deposited in the Fund (1) by transfer from current and future appropriations for readjustment benefits such amounts as may be necessary to supplement the Fund in order to meet the requirements of the Fund, and (2) all amounts now held or hereafter received by the Administrator incident to loan guaranty and insurance operations under this chapter, including but not limited to all collections of principal and interest and the proceeds from the use of property held or the sale of property disposed of.

(d) The Administrator shall determine annually whether there has developed in such Fund a surplus which, in the Administrator's<sup>3</sup> judgment, is more than necessary to meet the needs of the Fund, and such surplus, if any, shall immediately be transferred into the general fund receipts of the Treasury.

### § 1825. Waiver of discharge requirements for hospitalized persons

The benefits of this chapter may be afforded to any person who is hospitalized pending final discharge from active duty, if said person<sup>4</sup> is qualified therefor in every respect except for discharge.

<sup>1</sup> Sec. 7(27) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1823 (a) and (c) by striking "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's".

<sup>2</sup> Sec. 6(2) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1823(c) to read as set forth in the text.

<sup>3</sup> Sec. 7(28) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1824(d) by striking "his" and inserting in lieu thereof "the Administrator's".

<sup>4</sup> Sec. 7(29) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1825 by striking "he" and inserting in lieu thereof "said person".



**§ 1826. Withholding of payments, benefits, etc.**

(a) The Administrator shall not, unless the Administrator<sup>1</sup> first obtains the consent in writing of an individual, set off against, or otherwise withhold from, such individual any benefits payable to such individual under any law administered by the Veterans' Administration because of liability allegedly arising out of any loan made to, assumed by, or guaranteed or insured on account of, such individual under this chapter.

(b) No officer, employee, department, or agency of the United States shall set off against, or otherwise withhold from, any veteran or the surviving spouse<sup>1</sup> of any veteran any payments (other than benefit payments under any law administered by the Veterans' Administration) which such veteran or surviving spouse<sup>1</sup> would otherwise be entitled to receive because of any liability to the Administrator allegedly arising out of any loan made to, assumed by, or guaranteed or insured on account of, such veteran or surviving spouse<sup>1</sup> under this chapter, unless (1) there is first received the consent in writing of such veteran or surviving spouse,<sup>1</sup> as the case may be, or (2) such liability and the amount thereof was determined by a court of competent jurisdiction in a proceeding to which such veteran or surviving spouse<sup>1</sup> was a party.

**§ 1827. Expenditures to correct or compensate for structural defects in mortgaged homes**

(a) The Administrator is authorized, with respect to any property improved by a one- to four-family dwelling inspected during construction by the Veterans' Administration or the Federal Housing Administration which the Administrator<sup>2</sup> finds to have structural defects seriously affecting the livability of the property, to make expenditures for (1) correcting such defects, (2) paying the claims of the owner of the property arising from such defects, or (3) acquiring title to the property; except that such authority of the Administrator shall exist only (A) if the owner requests assistance under this section not later than four years (or such shorter time as the Administrator may prescribe) after the mortgage loan was made, guaranteed, or insured, and (B) if the property is encumbered by a mortgage which is made, guaranteed, or insured under this chapter after the date of enactment of this section.

(b) The Administrator shall by regulation prescribe the terms and conditions under which expenditures and payments may be made under the provisions of this section, and the Administrator's<sup>2</sup> decisions regarding such expenditures or payments, and the terms and conditions under which the same are approved or disapproved, shall be final and conclusive, and shall not be subject to judicial review.

(c) The Administrator is authorized to make expenditures for the purposes of this section from the funds established pursuant to sections 1823 and 1824 of this title, as applicable.

<sup>1</sup> Sec. 7(30) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1826 (a) and (b) by striking "he" and inserting in lieu thereof "the Administrator" and by striking "widow" wherever it appeared and inserting in lieu thereof "surviving spouse".

<sup>2</sup> Sec. 7(31) of the Veterans Housing Amendments of 1976, Public Law 94-324, 90 Stat. 720, approved June 30, 1976, amended section 1827 (a) and (b) by striking "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's".



## EXCERPTS FROM GI BILL IMPROVEMENT ACT OF 1977

[Public Law 95-202, 91 Stat. 1433]

\* \* \* \* \*

## HOUSING SOLAR ENERGY AND WEATHERIZATION STUDY

SEC. 311. In accordance with the national policy to conserve energy and promote the maximum utilization of solar energy, the Administrator of Veterans' Affairs, in consultation with the Secretary of Energy and the Secretary of Housing and Urban Development, shall conduct a study to determine the most effective specific methods of using the programs carried out under, or amending the provisions of, chapter 37 of title 38, United States Code, in order to aid and encourage present and prospective veteran homeowners to install in their homes solar heating, solar heating and cooling, or combined solar heating and cooling, and to apply residential energy conservation measures. The report of such study shall include a description of plans for administrative action to carry out such national policy as well as such recommendations for legislative action as the Administrator deems appropriate, and shall be submitted to the President and the Congress not later than March 1, 1978.

\* \* \* \* \*

Approved November 23, 1977.

## EXCERPT FROM TAX REDUCTION ACT OF 1975

[Public Law 94-12, 89 Stat. 26]

\* \* \* \* \*

## Sec. 208. Credit for purchase of new principal residence

(a) ALLOWANCE OF CREDIT.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowed) is amended by redesignating section 44 as section 45 and by inserting after section 43 the following new section:

## “Sec. 44. Purchase of new principal residence

“(a) GENERAL RULE.—In the case of an individual there is allowed, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to 5 percent of the purchase price of a new principal residence purchased or constructed by the taxpayer.

## “(b) LIMITATIONS.—

“(1) MAXIMUM CREDIT.—The credit allowed under subsection (a) may not exceed \$2,000.

“(2) LIMITATION TO ONE RESIDENCE.—The credit under this section shall be allowed with respect to only one residence of the taxpayer.

“(3) MARRIED INDIVIDUALS.—In the case of a husband and wife who file a joint return under section 6013, the amount specified under paragraph (1) shall apply to the joint return. In the case of a married individual filing a separate return, paragraph (1) shall be applied by substituting ‘\$1,000’ for ‘\$2,000’.

“(4) CERTAIN OTHER TAXPAYERS.—In the case of individuals to whom paragraph (3) does not apply who together purchase the

same new principal residence for use as their principal residence, the amount of the credit allowed under subsection (a) shall be allocated among such individuals as prescribed by the Secretary or his delegate, but the sum of the amounts allowed to such individuals shall not exceed \$2,000 with respect to that residence.

“(5) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowable under sections 33, 37, 38, 40, 41, and 42.

“(c) DEFINITIONS.—For purposes of this section—

“(1) NEW PRINCIPAL RESIDENCE.—The term ‘new principal residence,’ means a principal residence (within the meaning of section 1034), the original use of which commences with the taxpayer, and includes, without being limited to, a single family structure, a residential unit in a condominium or cooperative housing project, and a mobile home.

“(2) PURCHASE PRICE.—The term ‘purchase price’ means the adjusted basis of the new principal residence on the date of the acquisition thereof.

“(3) PURCHASE.—The term ‘purchase’ means any acquisition of property, but only if—

“(A) the property is not acquired from a person whose relationship to the person acquiring it would result in the disallowance of losses under section 267 or 707(b) (but, in applying section 267 (b) and (c) for purposes of this section, paragraph (4) of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants), and

“(B) the basis of the property in the hands of the person acquiring it is not determined—

“(i) in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or

“(ii) under section 1014(a) (relating to property acquired from a decedent).

“(d) RECAPTURE FOR CERTAIN DISPOSITIONS.—

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), if the taxpayer disposes of property with respect to the purchase of which a credit was allowed under subsection (a) at any time within 36 months after the date on which he acquired it (or, in the case of construction by the taxpayer, on the day on which he first occupied it) as his principal residence, then the tax imposed under this chapter for the taxable year in which terminates the replacement period under paragraph (2) with respect to the disposition is increased by an amount equal to the amount allowed as a credit for the purchase of such property.

“(2) ACQUISITION OF NEW RESIDENCE.—If, in connection with a disposition described in paragraph (1) and within the applicable period prescribed in section 1034, the taxpayer purchases or constructs a new principal residence, then the provisions of paragraph (1) shall not apply and the tax imposed by this chapter for the taxable year following the taxable year during which disposition occurs is increased by an amount which bears the same ratio to the amount allowed as a credit for the purchase of the old residence

as (A) the adjusted sales price of the old residence (within the meaning of section 1034), reduced (but not below zero) by the taxpayer's cost of purchasing the new residence (within the meaning of such section) bears to (B) the adjusted sales price of the old residence.

"(3) DEATH OF OWNER; CASUALTY LOSS; INVOLUNTARY CONVERSION; ETC.—The provisions of paragraph (1) do not apply to—

"(A) a disposition of a residence made on account of the death of any individual having a legal or equitable interest therein occurring during the 36-month period to which reference is made under such paragraph,

"(B) a disposition of the old residence if it is substantially or completely destroyed by a casualty described in section 165(c)(3) or compulsorily and involuntarily converted (within the meaning of section 1033(a)), or

"(C) a disposition pursuant to a settlement in a divorce or legal separation proceeding where the other spouse retains the residence as principal residence.

"(e) PROPERTY TO WHICH SECTION APPLIES.—

"(1) IN GENERAL.—The provisions of this section apply to a new principal residence—

"(A) the construction of which began before March 26, 1975,

"(B) which is acquired and occupied by the taxpayer after March 12, 1975, and before January 1, 1977, and

"(C) if not constructed by the taxpayer, which was acquired by the taxpayer under a binding contract entered into by the taxpayer before January 1, 1976.

"(2) SELF-CONSTRUCTED PROPERTY BEGUN BEFORE MARCH 13, 1975.—In the case of property the construction of which was begun by the taxpayer before March 13, 1975, only that portion of the basis of such property properly allocable to construction after March 12, 1975, shall be taken into account in determining the amount of the credit allowable under subsection (a).

"(3) BINDING CONTRACT.—For purposes of this subsection, a contract for the purchase of a residence which is conditioned upon the purchaser's obtaining a loan for the purchase of the residence (including conditions as to the amount or interest rate of such loan) is not considered non-binding on account of that condition.

"(4) <sup>1</sup> CERTIFICATION MUST BE ATTACHED TO RETURN.—This section does not apply to any residence (other than a residence constructed by the taxpayer) unless there is attached to the return of tax on which the credit is claimed a written certification (which may be in any form) signed by the seller of such residence that—

"(A) construction of the residence began before March 26, 1975, and

"(B) the purchase price of the residence is the lowest price at which the residence was offered for sale after February 28, 1975.

For purposes of this paragraph, a written certification filed by a taxpayer is sufficient whether or not it is on a form prescribed by the Secretary or his delegate so long as such

<sup>1</sup> Sec. 401(a) of the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975, Public Law 94-45, approved June 30, 1975, 89 Stat. 236, amended paragraph (4).



certification is signed by the seller and contains the information required under this paragraph."

(b) **SUITS TO RECOVER AMOUNTS OF PRICE INCREASES.—If—**

(1) any person certifies under section 44(e) (4) of the Internal Revenue Code of 1954 that the price for which a residence was sold is the lowest price at which the residence was offered for sale after February 28, 1975,<sup>2</sup> and

(2) the price for which the residence was sold exceeded the lowest price at which the residence was offered for sale after February 28, 1975,<sup>2</sup>

such person shall be liable to the purchaser of such residence in an amount equal to three times the amount of such excess. The United States district courts shall have jurisdiction of suits to recover such amounts without regard to any other provision of law. In any suit brought under this subsection in which judgment is entered for the purchaser, he shall also be entitled to recover a reasonable attorney's fee.

(c) **DEDUCTION.—**Notwithstanding the provisions of section 162 or 212 of the Internal Revenue Code of 1954, no deduction shall be allowed in computing taxable income for two-thirds of any amount paid or incurred on a judgment entered against any person in a suit brought under subsection (b).

(d) **TECHNICAL AND CLERICAL AMENDMENTS.—**

(1) The table of sections for such subpart is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 44. Credit for purchase of new principal residence.

"Sec. 45. Overpayments of tax."

(2) Section 56(a) (2) (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (v), by striking out "; and" at the end of clause (vi) and inserting in lieu thereof ", and", and by inserting after clause (vi) the following new clause:

"(vii) section 44 (relating to credit for purchase of new principal residence); and".

(3) Section 56(c) (1) (relating to tax carryovers) is amended by striking out "and" at the end of subparagraph (E), by striking out "exceed" at the end of subparagraph (F) and inserting in lieu thereof "and", and by inserting after subparagraph (F) the following new subparagraph:

"(G) section 44 (relating to credit for purchase of new principal residence), exceed".

(4) Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out "and 42" and inserting in lieu thereof "42, and 44".

\* \* \* \* \*

Approved March 29, 1975.

<sup>2</sup> Sec. 401(b) of the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975, Public Law 94-45, approved June 30, 1975, 89 Stat. 236, substituted "offered for sale after February 28, 1975" for "ever offered for sale", each place it appeared.

EXCERPTS FROM REVENUE ACT OF 1978

[Public Law 95-600, 92 Stat. 2763]

SEC. 311. 10-PERCENT INVESTMENT TAX CREDIT AND \$100,000 LIMITATION ON USED PROPERTY MADE PERMANENT

(a) 10-PERCENT INVESTMENT CREDIT.—Subparagraph (B) of section 46(a) (2) (defining regular percentage) is amended to read as follows:

“(B) REGULAR PERCENTAGE.—For purposes of this paragraph, the regular percentage is 10 percent.”

(b) \$100,000 LIMITATION ON USED PROPERTY.—Paragraph (2) of section 301(c) of the Tax Reduction Act of 1975 (relating to effective date for increase of dollar limitation on used property) is amended by striking out “, and before January 1, 1981”.

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (A) of section 46(c) (3) (relating to public utility property) is amended by striking out “For the period beginning on January 1, 1981” and inserting in lieu thereof “To the extent that the credit allowed by section 38 with respect to any public utility property is determined at the rate of 7 percent”.

(2) The first sentence of section 46(f) (8) (relating to prohibition of immediate flow through) is amended by striking out “and the Energy Tax Act of 1978” and inserting in lieu thereof “the Energy Tax Act of 1978, and the Revenue Act of 1978”.

SEC. 312. INCREASE IN LIMITATION ON INVESTMENT CREDIT TO 90 PERCENT OF TAX LIABILITY

(a) INCREASE IN GENERAL LIMITATION.—Paragraph (3) of section 46(a) (relating to amount of credit) is amended to read as follows:

“(3) LIMITATION BASED ON AMOUNT OF TAX.—Notwithstanding paragraph (1), the credit allowed by section 38 for the taxable year shall not exceed—

“(A) so much of the liability for tax for the taxable year as does not exceed \$25,000, plus

“(B) the following percentage of so much of the liability for tax for the taxable year as exceeds \$25,000:

“If the taxable year ends in :	The percentage is:
1979	60
1980	70
1981	80
1982 or thereafter	90.”

\* \* \* \* \*

SEC. 315. INVESTMENT CREDIT ALLOWED FOR CERTAIN REHABILITATED BUILDINGS.

(a) IN GENERAL.—Paragraph (1) of section 48(a) (defining section 38 property) is amended by striking out the period at the end of subparagraph (D) and by inserting in lieu thereof “; or” and the following new subparagraph:

“(E) in the case of a qualified rehabilitated building, that portion of the basis which is attributable to qualified rehabilitation expenditures (within the meaning of subsection (g)).”

(b) QUALIFIED REHABILITATED BUILDINGS DEFINED.—Section 48 is amended by inserting after subsection (f) the following new subsection:

“(g) SPECIAL RULES FOR QUALIFIED REHABILITATED BUILDINGS.—For purposes of this subpart—

“(1) QUALIFIED REHABILITATED BUILDING DEFINED.—

“(A) IN GENERAL.—The term ‘qualified rehabilitated building’ means any building (and its structural components)—

“(i) which has been rehabilitated,

“(ii) which was placed in service before the beginning of the rehabilitation, and

“(iii) 75 percent or more of the existing external walls of which are retained in place as external walls in the rehabilitation process.

“(B) 20 YEARS MUST HAVE ELAPSED SINCE CONSTRUCTION OR PRIOR REHABILITATION.—A building shall not be a qualified rehabilitated building unless there is a period of at least 20 years between—

“(i) the date the physical work on this rehabilitation of the building began, and

“(ii) the later of—

“(I) the date such building was first placed in service, or

“(II) the date such building was placed in service in connection with a prior rehabilitation with respect to which a credit was allowed by reason of subsection (a) (1) (E).

“(C) MAJOR PORTION TREATED AS SEPARATE BUILDING IN CERTAIN CASES.—Where there is a separate rehabilitation of a major portion of a building, such major portion shall be treated as a separate building.

“(D) REHABILITATION INCLUDES RECONSTRUCTION.—Rehabilitation includes reconstruction.

“(2) QUALIFIED REHABILITATION EXPENDITURE DEFINED.—

“(A) IN GENERAL.—The term ‘qualified rehabilitation expenditure’ means any amount properly chargeable to capital account which is incurred after October 31, 1978—

“(i) for property (or additions or improvements to property) with a useful life of 5 years or more, and

“(ii) in connection with the rehabilitation of a qualified rehabilitated building.

“(B) CERTAIN EXPENDITURES NOT INCLUDED.—The term ‘qualified rehabilitation expenditure’ does not include—

“(i) PROPERTY OTHERWISE SECTION 38 PROPERTY.—Any expenditure for property which constitutes section 38 property (determined without regard to subsection (a) (1) (E)).

“(ii) COST OF ACQUISITION.—The cost of acquiring any building or any interest therein.

“(iii) ENLARGEMENTS.—Any expenditure attributable to the enlargement of the existing building.

“(iv) CERTIFIED HISTORIC STRUCTURES.—Any expenditure attributable to the rehabilitation of a certified historic structure (within the meaning of section



191(d)(1)), unless the rehabilitation is a certified rehabilitation (within the meaning of section 191(d)(4)).

“(3) PROPERTY TREATED AS NEW SECTION 38 PROPERTY.—Property which is treated as section 38 property by reason of subsection (a)(1)(E) shall be treated as new section 38 property.”

(c) TECHNICAL AMENDMENT.—Paragraph (8) of section 48(a) (relating to amortized property) is amended by striking out “or 188” and inserting in lieu thereof “188, or 191”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after October 31, 1978; except that the amendment made by subsection (c) shall only apply with respect to property placed in service after such date.

#### SEC. 404. ONE-TIME EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE BY INDIVIDUAL WHO HAS ATTAINED AGE 55.

(a) GENERAL RULE.—The section heading and subsections (a) and (b) section 121 are amended to read as follows:

##### “SEC. 121. ONE-TIME EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE BY INDIVIDUAL WHO HAS ATTAINED AGE 55.

“(a) GENERAL RULE.—At the election of the taxpayer, gross income does not include gain from the sale or exchange of property if—

“(1) the taxpayer has attained the age of 55 before the date of such sale or exchange, and

“(2) during the 5-year period ending on the date of the sale or exchange, such property has been owned and used by the taxpayer as his principal residence for periods aggregating 3 years or more.

“(b) LIMITATIONS.—

“(1) DOLLAR LIMITATION.—The amount of the gain excluded from gross income under subsection (a) shall not exceed \$100,000 (\$50,000 in the case of a separate return by a married individual).

“(2) APPLICATION TO ONLY 1 SALE OR EXCHANGE.—Subsection (a) shall not apply to any sale or exchange by the taxpayer if an election by the taxpayer or his spouse under subsection (a) with respect to any other sale or exchange is in effect.

“(3) ADDITIONAL ELECTION IF PRIOR SALE WAS MADE ON OR BEFORE JULY 26, 1978.—In the case of any sale or exchange after July 26, 1978, this section shall be applied by not taking into account any election made with respect to a sale or exchange on or before such date.”

(b) TACKING OF HOLDING PERIOD IN CASE OF INVOLUNTARY CONVERSIONS.—Subsection (d) of section 121 (relating to special rules) is amended by adding at the end thereof the following new paragraph:

“(8) PROPERTY ACQUIRED AFTER INVOLUNTARY CONVERSION.—If the basis of the property sold or exchanged is determined (in whole or in part) under subsection (b) of section 1033 (relating to basis of property acquired through involuntary conversion), then the holding and use by the taxpayer of the converted property shall be treated as holding and use by the taxpayer of the property sold or exchanged.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 121(d) is amended by striking out “8-year period” and inserting in lieu thereof “5-year period”.

(2) Paragraph (5) of section 121(d) is amended—

(A) by striking out "8-year period" and inserting in lieu thereof "5-year period", and

(B) by striking out "5 years" and inserting in lieu thereof "3 years".

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking out the item relating to section 121 and inserting in lieu thereof the following:

"Sec. 121. One-time exclusion of gain from sale of principal residence by individual who has attained age 55."

(4) Paragraph (3) of section 1033(g) (relating to cross references) is amended to read as follows:

"(3) For one-time exclusion from gross income of gain from involuntary conversion of principal residence by individual who has attained age 55, see section 121."

(5) Subsection (k) of section 1034 (relating to cross references) is amended to read as follows:

"(k) CROSS REFERENCE.—

"For one-time exclusion from gross income of gain from sale of principal residence by individual who has attained age 55, see section 121."

(6) Section 1038(e) (1) (A) is amended by striking out "relating to gain from sale or exchange of residence of an individual who has attained age 65" and inserting in lieu thereof "relating to one-time exclusion of gain from sale of principal residence by individual who has attained age 55".

(7) Section 1250(d) (7) (B) is amended by striking out "relating to gains from sale or exchange of residence of individual who has attained the age of 65" and inserting in lieu thereof "relating to one-time exclusion of gain from sale of principal residence by individual who has attained age 55".

(8) Section 6012(c) is amended by striking out "relating to sale of residence by individual who has attained age 65" and inserting in lieu thereof "relating to one-time exclusion of gain from sale of principal residence by individual who has attained age 55".

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to sales or exchanges after July 26, 1978, in taxable years ending after such date.

(2) TRANSITIONAL RULE.—In the case of a sale or exchange of a residence before July 26, 1981, a taxpayer who has attained age 65 on the date of such sale or exchange may elect to have section 121 of the Internal Revenue Code of 1954 applied by substituting "8-year period" for "5-year period" and "5 years" for "3 years" in subsections (a), (d) (2) and (d) (5) of such section.

#### SEC. 405. WAIVER OF CERTAIN 18-MONTH RULES OF SECTION 1034 WHEN SALE OF RESIDENCE IS CONNECTED WITH COMMENCING WORK AT NEW PLACE.

(a) IN GENERAL.—Subsection (d) of section 1034 (relating to sale or exchange of residence) is amended to read as follows:

"(d) LIMITATION.—

"(1) IN GENERAL.—Subsection (a) shall not apply with respect to the sale of the taxpayer's residence if within 18 months before the date of such sale the taxpayer sold at a gain other property

used by him as his principal residence, and any part of such gain was not recognized by reason of subsection (a).

"(2) **SUBSEQUENT SALE CONNECTED WITH COMMENCING WORK AT NEW PLACE.**—Paragraph (1) shall not apply with respect to the sale of the taxpayer's residence if—

"(A) such sale was in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work, and

"(B) if the residence so sold is treated as the former residence for purposes of section 217 (relating to moving expenses), the taxpayer would satisfy the conditions of subsection (c) of section 217 (as modified by the other subsections of such section)."

(b) **RELATED TECHNICAL AMENDMENT.**—Paragraph (4) of section 1034(c) is amended by adding at the end thereof the following new sentence: "If a principal residence is sold in a sale to which subsection (d) (2) applies within 18 months after the sale of the old residence, for purposes of applying the preceding sentence with respect to the old residence, the principal residence so sold shall be treated as the last residence used during such 18-month period."

(c) **CLERICAL AMENDMENTS.**—

(1) The section heading of section 1034 is amended to read as follows:

**"SEC. 1034. ROLLOVER OF GAIN ON SALE OF PRINCIPAL RESIDENCE."**

(2) The table of sections for part III of subchapter O of chapter 1 is amended by striking out the item relating to section 1034 and inserting in lieu thereof the following new item:

"Sec. 1034. Rollover of gain on sale of principal residence."

(3) Subparagraph (B) of section 1083(e) (1) (relating to certain acquisitions of real property) is amended by striking out "(relating to sale or exchange of residence)" and inserting in lieu thereof "(relating to rollover of gain on sale of principal residence)".

(4) Subparagraph (A) of section 1250(d) (7) (relating to gain from dispositions of certain depreciable realty) is amended by striking out "relating to sale or exchange of residence" and inserting in lieu thereof "relating to rollover of gain on sale of principal residence".

(5) Subparagraph (C) of section 6212(c) (2) (relating to cross references) is amended by striking out "*personal residence*" and inserting in lieu thereof "*principal residence*".

(6) Paragraph (4) of section 6504 (relating to cross references) is amended by striking out "*residence*" and inserting in lieu thereof "*principal residence*".

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to sales and exchanges of residences after July 26, 1978, in taxable years ending after such date.



## NATIONAL BANKS

[Excerpts from Revised Statutes §§ 5136 and 5200 (National Bank Act);  
Title 12 U.S.C. §§ 24 and 84]

### § 24. Corporate powers of associations.

Upon duly making and filing articles of association and an organization certificate a national banking association shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

\* \* \* \* \*

Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this chapter. The business of dealing in securities and stock by the association shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities or stock: *Provided*, That the association may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe. In no event shall the total amount of the investment securities of any one obligor or maker, held by the association for its own account, exceed at any time 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund, except that this limitation shall not require any association to dispose of any securities lawfully held by it on August 23, 1935. As used in this section the term "investment securities" shall mean marketable obligations, evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes and/or debentures commonly known as investment securities under such further definition of the term "investment securities" as may by regulation be prescribed by the Comptroller of the Currency. Except as hereinafter provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by the association for its own account of any shares of stock of any corporation. The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to obligations of the United States, or general obligations of any State or of any political subdivision thereof, or obligations of the Washington Metropolitan Area Transit Authority which are guaranteed by the Secretary of

Transportation under section 9 of the National Capital Transportation Act of 1969, issued under authority of the Federal Farm Loan Act, as amended, or issued by the thirteen banks for cooperatives of any of them or the Federal Home Loan Banks, or obligations which are insured by the Secretary of Housing and Urban Development under title XI of the National Housing Act or obligations which are insured by the Secretary of Housing and Urban Development (hereafter in this sentence referred to as the "Secretary") pursuant to section 1713 of this title, if the debentures to be issued in payment of such insured obligations are guaranteed as to principal and interest by the United States, or obligations, participations, or other instruments of or issued by the Federal National Mortgage Association, or the Government National Mortgage Association, or mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 1454 or section 1455 of this title, or obligations of the Federal Financing Bank or obligations of the Environmental Financing Authority, or obligations or other instruments or securities of the Student Loan Marketing Association or such obligations of any local public agency (as defined in section 1460(h) of Title 42) as are secured by an agreement between the local public agency and the Secretary in which the local public agency agrees to borrow from said Secretary, and said Secretary agrees to lend to said local public agency, moneys in an aggregate amount which (together with any other moneys irrevocably committed to the payment of interest or such obligations) will suffice to pay, when due, the interest on and all installments (including the final installment) of the principal of such obligations, which moneys under the terms of said agreement are required to be used for such payments, or such obligations of a public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured (1) by an agreement between the public housing agency and the Secretary in which the public housing agency agrees to borrow from the Secretary, and the Secretary agrees to lend to the public housing agency, prior to the maturity of such obligations, moneys in an amount which (together with any other moneys irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such obligations with interest to maturity thereon, which moneys under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such obligations at their maturity, (2) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Secretary if such contract shall contain the covenant by the Secretary which is authorized by section 1437d(g) of Title 42, and if the maximum sum and the maximum period specified in such contract pursuant to section 1437d(g) of Title 42 shall not be less than the annual amount and the period for payment which are requisite to provide for the payment when due of all installments of principal and interest on such obligations, or (3) by a pledge of both annual contributions under an annual contributions contract containing the covenant by the Secretary which is authorized by section 1437d(g) of Title 42, and a loan under an agreement between the local public housing agency and the Secretary in which the public housing agency agrees to borrow from the Secretary, and the Secretary agrees to lend to the public housing agency, prior to the maturity of the

obligations involved, moneys in an amount which (together with any other moneys irrevocably committed under the annual contributions contract to the payment of principal and interest on such obligations) will suffice to provide for the payment when due of all installments of principal and interest on such obligations, which moneys under the terms of the agreement are required to be used for the purpose of paying the principal and interest on such obligations at their maturity: *Provided*, That in carrying on the business commonly known as the safe-deposit business the association shall not invest in the capital stock of a corporation organized under the law of any State to conduct a safe-deposit business in an amount in excess of 15 per centum of the capital stock of the association actually paid in and unimpaired and 15 per centum of its unimpaired surplus. The limitations and restrictions herein contained as to dealing in and underwriting investment securities shall not apply to obligations issued by the International Bank for Reconstruction and Development, the Inter-American Development Bank, or the Asian Development Bank, or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes, which are at the time eligible for purchase by a national bank for its own account, nor to bonds, notes and other obligations issued by the Tennessee Valley Authority or by the United States Postal Service: *Provided*, That no association shall hold obligations, issued by any of said organizations as a result of underwriting, dealing, or purchasing for its own account (and for this purpose obligations as to which it is under commitment shall be deemed to be held by it) in a total amount exceeding at any one time 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund. Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to sections 3931 to 3940 of Title 42, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 3937 (a) or 3937 (c) of Title 42. Notwithstanding any other provision of this paragraph, the association may purchase for its own account shares of stock issued by any State housing corporation incorporated in the State in which the association is located and may make investments in loans and commitments for loans to any such corporation: *Provided*, That in no event shall the total amount of such stock held for its own account and such investments in loans and commitments made by the association exceed at any time 5 per centum of its capital stock actually paid in and unimpaired plus 5 per centum of its unimpaired surplus fund. Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation organized solely for the purpose of making loans to farmers and ranchers for agricultural purposes, including the breeding, raising, fattening, or marketing of livestock. However, unless the association owns at least 80 per centum of the stock of such agricultural credit corporation the amount invested by the association at any one time in the stock of such corporation shall not exceed 20 per centum of the unimpaired capital and surplus of the association.

Eighth. To contribute to community funds, or to charitable, philanthropic, or benevolent instrumentalities conducive to public welfare, such sums as its board of directors may deem expedient and in the



interests of the association, if it is located in a State the laws of which do not expressly prohibit State banking institutions from contributing to such funds or instrumentalities.

Ninth.<sup>1</sup> To issue and sell securities which are guaranteed pursuant to section 306 (g) of the National Housing Act.

\* \* \* \* \*

#### § 84. Limit of liability of any person to bank.

The total obligations to any national banking association of any person, copartnership, association, or corporation shall at no time exceed 10 per centum of the amount of the capital stock of such association actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund. The term "obligations" shall mean the direct liability of the maker or acceptor of paper discounted with or sold to such association and the liability of the endorser, drawer, or guarantor who obtains a loan from or discounts paper with or sells paper under his guaranty to such association and shall include in the case of obligations of a copartnership or association the obligations of the several members thereof and shall include in the case of obligations of a corporation all obligations of all subsidiaries thereof in which such corporation owns or controls a majority interest. Such limitation of 10 per centum shall be subject to the following exceptions:

\* \* \* \* \*

(8) Obligations of any person, copartnership, association, or corporation secured by not less than a like amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, treasury bills of the United States or obligations fully guaranteed both as to principal and interest by the United States, shall (except to the extent permitted by rules and regulations prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury) be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus.

\* \* \* \* \*

(11) Obligations of a local public agency (as defined in section 1460(h)<sup>2</sup> of Title 42) or of a public housing agency (as defined in the United States Housing Act of 1937, as amended)<sup>3</sup> which have a maturity of not more than eighteen months shall not be subject under this section to any limitation, if such obligations are secured by an agreement between the obligor agency and the Secretary of Housing and Urban Development in which the agency agrees to borrow from the Secretary, and the Secretary agrees to lend to the agency, prior to the maturity of such obligations, monies in an amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such

<sup>1</sup> Sec. 804(c), Housing and Urban Development Act of 1968, Public Law 90-448, approved August 1, 1968, 82 Stat. 476, 543, added paragraph Ninth.

<sup>2</sup> Local public agency for urban renewal under title I, Housing Act of 1949.

<sup>3</sup> Low-rent public housing.

obligations with interest to maturity, which monies under the terms of said agreement are required to be used for that purpose.

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## EXCERPTS FROM FEDERAL RESERVE ACT

[12 U.S.C. §§ 335 and 355]

### § 335. Dealing in investment securities; limitations and conditions.

State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph "Seventh" of section 24 of this title.

### § 355. Purchase and sale of obligations of National, State, and municipal governments; open market operations

Every Federal reserve bank shall have power: (1) to buy and sell, at home or abroad, bonds and notes of the United States, bonds issued under the provisions of subsection (c) of section 1463 of this title<sup>1</sup> and having maturities from date of purchase of not exceeding six months, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System: *Provided*, That notwithstanding any other provisions of this chapter, (1) until July 1, 1970, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities either in the open market or directly from or to the United States; but all such purchases and sales shall be made in accordance with the provisions of section 263 of this title<sup>2</sup> and the aggregate amount of such obligations acquired directly from the United States which is held at any one time by the twelve Federal Reserve banks shall not exceed \$5,000,000,000; and (2) after June 30, 1970, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities but only in the open market. The Board of Governors of the Federal Reserve System shall include in their annual report to Congress detailed information with respect to direct purchases

<sup>1</sup> Home Owners' Loan Corporation, which has been liquidated.

<sup>2</sup> Regulations adopted by the "Federal Open-Market Committee."

and sales from or to the United States under the provisions of this proviso.

(2)<sup>1</sup> To buy and sell in the open market, under the direction and regulations of the Federal Open Market Committee, any obligation which is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States.

## REAL ESTATE LOANS—NATIONAL BANKS

[Section 24, Federal Reserve Act, 12 U.S.C. 371]

**§ 371. Real estate loans—Authorization; loans secured by liens upon unimproved real estate, etc.; form of obligations; limitations on amount; renewal and extension, and applicability to loans guaranteed or insured under other provisions; determination of outstanding amounts**

(a) (1) Any national banking association may make real estate loans, secured by liens upon unimproved real estate, upon improved real estate, including improved farmland and improved business and residential properties, and upon real estate to be improved by a building or buildings to be constructed or in the process of construction, in an amount which when added to the amount unpaid upon prior mortgages, liens, encumbrances, if any, upon such real estate does not exceed the respective proportions of appraised value as provided in this section. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by a mortgage, trust deed, or other instrument, which shall constitute a lien on real estate in fee or, under such rules and regulations as may be prescribed by the Comptroller of the Currency, on a leasehold under a lease which does not expire for at least 10 years beyond the maturity date of the loan, and any national banking association may purchase or sell any obligations so secured in whole or in part. The amount of any such loan hereafter made shall not exceed 66⅔ per centum of the appraised value if such real estate is unimproved, 75 per centum of the appraised value if such real estate is improved by offsite improvements such as streets, water, sewers, or other utilities, 75 per centum of the appraised value if such real estate is in the process of being improved by a building or buildings to be constructed or in the process of construction, or 90 per centum of the appraised value if such real estate is improved by a building or buildings. If any such loan exceeds 75 per centum of the appraised value of the real estate or if the real estate is improved with a one- to four-family dwelling, installment payments shall be required which are sufficient to amortize the entire principal of the loan within a period of not more than 30 years.

(2) The limitations and restrictions set forth in paragraph (1) shall not prevent the renewal or extension of loans heretofore made and shall not apply to real estate loans (A) which are insured under the provisions of the National Housing Act, (B) which are insured by the Secretary of Agriculture pursuant to title I of the Bankhead-Jones Farm Tenant Act, or the Act of August 28, 1937, as amended, or

<sup>1</sup> Added by sec. 6, Public Law 89-597, approved September 21, 1966, 80 Stat. 825.



title V of the Housing Act of 1949, as amended, or (C) which are guaranteed by the Secretary of Housing and Urban Development, for the payment of the obligations of which the full faith and credit of the United States is pledged, and such limitations and restrictions shall not apply to real estate loans which are fully guaranteed or insured by a State, or any agency or instrumentality thereof, or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged, if under the terms of the guaranty or insurance agreement the association will be assured of repayment in accordance with the terms of the loan, or to any loan at least 20 per centum of which is guaranteed under chapter 37 of Title 38, or to obligations guaranteed under section 1440 of Title 42.

(3) Loans which are guaranteed or insured as described in paragraph (2) shall not be taken into account in determining the amount of real estate loans which a national banking association may make in relation to its capital and surplus or its time and savings deposits or in determining the amount of real estate loans secured by other than first liens. Where the collateral for any loan consists partly of real estate security and partly of other security, including a guaranty or endorsement by or an obligation or commitment of a person other than the borrower, only the amount by which the loan exceeds the value as collateral of such other security shall be considered a loan upon the security of real estate, and in no event shall a loan be considered as a real estate loan where there is a valid and binding agreement which is entered into by a financially responsible lender or other party either directly with the association or which is for the benefit of or has been assigned to the association and pursuant to which agreement the lender or other party is required to advance to the association within 60 months from the date of the making of such loan the full amount of the loan to be made by the association upon the security of real estate. Except as otherwise provided, no such association shall make real estate loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of the amount of its time and savings deposits, whichever is greater: *Provided*, That the amount unpaid upon real estate loans secured by other than first liens, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, shall not exceed in an aggregate sum 20 per centum of the amount of the capital stock of such association paid in and unimpaired plus 20 per centum of the amount of its unimpaired surplus fund.

LOANS SECURED BY LIENS UPON FOREST TRACTS; FORM OF OBLIGATIONS;  
LIMITATIONS ON AMOUNT; TERM; INCLUSION WITHIN PERMISSIBLE  
AGGREGATE OF ALL LOANS

(b) Any national banking association may make real estate loans secured by liens upon forest tracts which are properly managed in all respects. Such loans shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument; and any national banking association may purchase or sell any obligations so secured in whole or in part. The amount of any such loan, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, if any, shall not exceed  $66\frac{2}{3}$  per centum of the appraised fair

market value of the growing timber, lands, and improvements thereon offered as security and the loan shall be made upon such terms and conditions as to assure that at no time shall the loan balance, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, if any, exceed 66⅔ per centum of the original appraised total value of the property then remaining. No such loan shall be made for a longer term than 3 years; except that any such loan may be made for a term not longer than 15 years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the principal of the loan within a period of not more than 15 years and at a rate at least 6⅔ per centum per annum. All such loans secured by liens upon forest tracts shall be included in the permissible aggregate of all real estate loans and, when secured by other than first liens, in the permissible aggregate of all real estate loans secured by other than first liens, prescribed in subsection (a) of this section, but no national banking association shall make forest tract loans in an aggregate sum in excess of 50 per centum of its capital stock paid in and unimpaired plus 50 per centum of its unimpaired surplus fund.

LOANS FINANCING CONSTRUCTION OF BUILDING OR BUILDINGS AND CONSTRUCTION OF RESIDENTIAL OR FARM BUILDINGS CONSTRUED AS REAL ESTATE OR COMMERCIAL LOANS AT OPTION OF BANK

(c) Loans made to finance the construction of a building or buildings and having maturities of not to exceed 60 months where there is a valid and binding agreement entered into by a financially responsible lender or other party to advance the full amount of the bank's loan upon completion of the building or buildings, and loans made to finance the construction of residential or farm buildings and having maturities of not to exceed 60 months, may be considered as real estate loans if the loans qualify under this section, or such loans may be classed as commercial loans whether or not secured by a mortgage or similar lien on the real estate upon which the building or buildings are being constructed, at the option of each national banking association that may have an interest in such loan: *Provided*, That no national banking association shall invest in, or be liable on, any such loans classed as commercial loans under this subsection in an aggregate amount in excess of 100 per centum of its actually paid-in and unimpaired capital plus 100 per centum of its unimpaired surplus fund.

ELIGIBILITY FOR DISCOUNT AS COMMERCIAL PAPER OF NOTES REPRESENTING LOANS FINANCING CONSTRUCTION OF RESIDENTIAL OR FARM BUILDINGS; PREREQUISITES

(d) Notes representing loans made under this section to finance the construction of residential or farm buildings and having maturities of not to exceed 9 months shall be eligible for discount as commercial paper within the terms of the second paragraph of section 343 of this title if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building entered into by an individual, partnership, association, or corporation acceptable to the discounting bank.

## COMMERCIAL LOANS

(e) Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) secured by an assignment of rents under a lease, and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution against contingencies, and loans in which the Small Business Administration cooperates through agreements to participate on an immediate or deferred or guaranteed basis under the Small Business Act, shall not be considered as real estate loans within the meaning of this section but shall be classed as commercial loans.

## WAIVER OF SECURITY LIMITATIONS AND RESTRICTIONS

(f) Any national banking association may make loans upon the security of real estate that do not comply with the limitations and restrictions in this section, if the total unpaid amount loaned, exclusive of loans which subsequently comply with such limitations and restrictions, does not exceed 10 per centum of the amount that a national banking association may invest in real estate loans. The total unpaid amount so loaned shall be included in the aggregate sum that such association may invest in real estate loans.

## RULES AND REGULATIONS

(g) Loans made pursuant to this section shall be subject to such conditions and limitations as the Comptroller of the Currency may prescribe by rule or regulation.

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INVESTMENT POWERS, NATIONAL LENDING INSTITUTIONS,  
AUTHORITY FOR CREDIT CONTROL, CREDIT CONTROL ACT

[Public Law 91-151, 83 Stat. 376; 12 U.S.C. 1901]

AN ACT To lower interest rates and fight inflation; to help housing, small business, and employment; to increase the availability of mortgage credit; and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

\* \* \* \* \*

## TITLE II—AUTHORITY FOR CREDIT CONTROL

## Sec. 201. Short title

This title may be cited as the Credit Control Act.

## Sec. 202. Definitions and rules of construction

(a) The definitions and rules of construction set forth in this section apply to the provisions of this title.

(b) The term "Board" refers to the Board of Governors of the Federal Reserve System.



(c) The term "organization" means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(d) The term "person" means a natural person or an organization.

(e) The term "credit" means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(f) The term "creditor" refers to any person who extends, or arranges for the extension of, credit, whether in connection with a loan, a sale of property or services, or otherwise.

(g) The term "credit sale" refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any rental-purchase contract and any contractor or arrangement for the bailing or leasing of property when used as a financing device.

(h) The terms "extension of credit" and "credit transaction" include loans, credit sales, the supplying of funds through the underwriting, distribution, or acquisition of securities, the making or assisting in the making of a direct placement, or otherwise participating in the offering, distribution, or acquisition of securities.

(i) The term "borrower" includes any person to whom credit is extended.

(j) The term "loan" includes any type of credit, including credit extended in connection with a credit sale.

(k) The term "State" refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

(l) Any reference to any requirement imposed under this title of any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

### **Sec. 203. Regulations**

The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

### **Sec. 204. Determination of interest charge**

Except as otherwise provided by the Board, the amount of the interest charge in connection with any credit transaction shall be determined under the regulations of the Board as the sum of all charges payable directly or indirectly to the person by whom the credit is extended in consideration of the extension of credit.

### **Sec. 205. Authority for institution of credit controls**

(a) Whenever the President determines that such action is necessary or appropriate for the purpose of preventing or controlling inflation generated by the extension of credit in an excessive volume, the President may authorize the Board to regulate and control any or all extensions of credit.

(b) The Board may, in administering this Act, utilize the services of the Federal Reserve banks and any other agencies, Federal or State, which are available and appropriate.

**Sec. 206. Extent of control**

The Board, upon being authorized by the President under section 205 and for such period of time as he may determine, may by regulation—

(1) require transactions or persons or classes of either to be registered or licensed.

(2) prescribe appropriate limitations, terms, and conditions for any such registration or license.

(3) provide for suspension of any such registration or license for violation of any provision thereof or of any regulation, rule, or order prescribed under this Act.

(4) prescribe appropriate requirements as to the keeping of records and as to the form, contents, or substantive provisions of contracts, liens, or any relevant documents.

(5) prohibit solicitations by creditors which would encourage evasion or avoidance of the requirements of any regulation, licenses, or registration under this Act.

(6) prescribe the maximum amount of credit which may be extended on, or in connection with, any loan, purchase, or other extension of credit.

(7) prescribe the maximum rate of interest, maximum maturity, minimum periodic payment, maximum period between payments, and any other specification or limitation of the terms and conditions of any extension of credit.

(8) prescribe the methods of determining purchase prices or market values or other bases for computing permissible extensions of credit or required downpayment.

(9) prescribe special or different terms, conditions, or exemptions with respect to new or used goods, minimum original cash payments, temporary credits which are merely incidental to cash purchases, payment or deposits usable to liquidate credits, and other adjustments or special situations.

(10) prescribe maximum ratios, applicable to any class of either creditors or borrowers or both, of loans of one or more types or of all types—

(A) to deposits of one or more types or of all types.

(B) to assets of one or more types or of all types.

(11) prohibit or limit any extensions of credit under any circumstances the Board deems appropriate.

**Sec. 207. Reports**

Reports concerning the kinds, amounts, and characteristics of any extensions of credit subject to this title, or concerning circumstances related to such extensions of credit, shall be filed on such forms, under oath or otherwise, at such times and from time to time, and by such persons, as the Board may prescribe by regulation or order as necessary or appropriate for enabling the Board to perform its functions under this title. The Board may require any person to furnish, under oath or otherwise, complete information relative to any transaction within the scope of this title including the production of any books of account, contracts, letters, or other papers, in connection therewith in the custody or control of such person.

### Sec. 208. Injunctions

Whenever it appears to the Board that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation under this title, it may in its discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the Board, any such court may also issue mandatory injunctions commanding any person to comply with any regulation of the Board under this title.

### Sec. 209. Civil penalties

(a) For each willful violation of any regulation under this title, the Board may assess upon any person to which the regulation applies, and upon any partner, director, officer, or employee thereof who willfully participates in the violation, a civil penalty not exceeding \$1,000.

(b) In the event of the failure of any person to pay any penalty assessed under this section, a civil action for the recovery thereof may, in the discretion of the Board, be brought in the name of the United States.

### Sec. 210. Criminal penalty

Whoever willfully violates any regulation under this title shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

\* \* \* \* \*

Approved December 23, 1969.



**EXCERPTS FROM FEDERAL RESERVE ACT, AS  
AMENDED**

[Public Law 304, 72d Cong., 47 Stat. 725, 12 U.S.C. 1421]

**§ 1421. "Federal Home Loan Bank Act"; citation of chapter**

This chapter may be cited as the "Federal Home Loan Bank Act."

**§ 1422. Definitions**

As used in this chapter—

(1) The term "board" means the Federal Home Loan Bank Board.

(2) The term "Federal Home Loan Bank" means a bank established by the board under authority of this chapter.

(3) The term "State" includes the District of Columbia, Guam, Puerto Rico, and the Virgin Islands of the United States.

(4) The term "member" (except when used in reference to a member of the board) means any institution which has subscribed for the stock of a Federal Home Loan Bank.

(5) The term "home mortgage loan" means a loan made by a member or a nonmember borrower upon the security of a home mortgage.

(6) The term "home mortgage" means a mortgage upon real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed, upon which is located, or which comprises or includes, one or more homes or other dwelling units, all of which may be defined by the Board, and shall include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate by institutions authorized under this chapter to become members, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(7) The term "unpaid principal," when used in respect of a loan secured by a home mortgage means the principal thereof less the sum of (1) payments made on such principal, and (2) in cases where shares or stock are pledged as security for the loan, the payments made on such shares or stock plus earnings or dividends apportioned or credited thereon.

(8) An "amortized" or "installment" home mortgage loan shall, for the purposes of this chapter, be a home mortgage loan to be repaid or liquidated in not less than eight years by means of regular weekly, monthly, or quarterly payments made directly in reduction of the debt or upon stock or shares pledged as collateral for the repayment of such loan.

(9) The term "nonmember borrower" includes an institution authorized to secure advances from a Federal Home Loan Bank under the provisions of subsection (e) of section 1426 of this title.

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**§ 1424. Eligibility of member and nonmember borrowers; loans to home owners**

(a) Any building and loan association, savings and loan association, cooperative bank, homestead association, insurance company, or savings bank shall be eligible to become a member of, or a nonmember borrower of, a Federal Home Loan Bank if such institution (1) is duly organized under the laws of any State or of the United States; (2) is subject to inspection and regulation under the banking laws, or under similar laws, of the State or of the United States; and (3) makes such home mortgage loans as, in the judgment of the board, are long-term loans (and in the case of a savings bank if, in the judgment of the board, its time deposits, as defined in section 461 of this title, warrant its making such loans). No institution shall be eligible to become a member of, or a nonmember borrower of, a Federal Home Loan Bank if, in the judgment of the board, its financial condition is such that advances may not safely be made to such institution or the character of its management or its home-financing policy is inconsistent with sound and economical home financing, or with the purposes of this chapter.

(b) An institution eligible to become a member or a nonmember borrower under this section may become a member only of, or secure advances from, the Federal Home Loan Bank of the district in which is located the institution's principal place of business, or of the bank of a district adjoining such district, if demanded by convenience and then only with the approval of the board.

(c) Notwithstanding the provisions of clause (2) of subsection (a) of this section requiring inspection and regulation under law as a condition with respect to eligibility for membership, any building and loan association which would be eligible to become a member of a Federal Home Loan Bank except for the fact that it is not subject to inspection and regulation under the banking laws or similar laws of the State in which such association is organized shall, upon subjecting itself to such inspection and regulation as the board shall prescribe, be eligible to become a member.

**§ 1425. Limitation on lawful contract rate of interest receivable by members and nonmember borrowers; applicability to home mortgage loans on single-family dwellings**

No institution shall be admitted to or retained in membership, or granted the privileges of nonmember borrowers, if the combined total of the amounts paid to it for interest, commission, bonus, discount, premium, and other similar charges, less a proper deduction for all dividends, refunds, and cash credits of all kinds, creates an actual net cost to the home owner in excess of the lawful contract rate of interest applicable to such transactions, or, in case there is no lawful contract rate of interest applicable to such transactions, in excess of such rates as may be prescribed in writing by the Board acting in its discretion from time to time. This section applies only to home mortgage loans on single-family dwellings.

**§ 1425a. Liquidity requirements—Congressional declaration of purpose**

(a) The purpose of this section is to provide a means for creating meaningful and flexible liquidity in savings and loan associations and

other members which can be increased when mortgage money is plentiful, maintained in easily liquidated instruments, and reduced to add to the flow of funds to the mortgage market in periods of credit stringency. More flexible liquidity will help support two main purposes of this chapter—sound mortgage credit and a more stable supply of such credit.

#### REQUIRED TYPES OF ASSETS

(b) Any institution which is a member or which is an insured institution as defined in section 1724(a) of this title shall maintain the aggregate amount of its assets of the following types at not less than such amount as, in the opinion of the Board, is appropriate: (1) cash, (2) to such extent as the Board may approve for the purposes of this section, time and savings deposits in Federal Home Loan Banks and commercial banks, and (3) to such extent as the Board may so approve, such obligations, including such special obligations, of the United States, a State, any territory or possession of the United States, or a political subdivision, agency, or instrumentality of any one or more of the foregoing, and bankers' acceptances, as the Board may approve. The requirement prescribed by the Board pursuant to this subsection (hereinafter in this section referred to as the "liquidity requirement") may not be less than 4 per centum or more than 10 per centum of the obligation of the institution on withdrawable accounts and borrowings payable on demand or with unexpired maturities of one year or less, or in the case of institutions which are insurance companies, such other base or bases as the Board may determine to be comparable.

#### AMOUNT; CLASSIFICATION

(c) The amount of any institution's liquidity requirement, and any deficiency in compliance therewith, shall be calculated as the Board shall prescribe. The Board may prescribe different liquidity requirements, within the limitations specified herein, for different classes of institutions, and for such purposes the Board is authorized to classify institutions according to type, size, location, rate of withdrawals, or, without limitation by or on the foregoing, on such other basis or bases of differentiation as the Board may deem to be reasonably necessary or appropriate for effectuating the purposes of this section.

#### PENALTY ASSESSMENT

(d) For any deficiency in compliance with the liquidity requirement, the Board may, in its discretion, assess a penalty consisting of the payment by the institution of such sum as may be assessed by the Board but not in excess of a rate equal to the highest rate on advances of one year or less, plus 2 per centum per annum, on the amount of the deficiency for the period with respect to which the deficiency existed. Any penalty assessed under this subsection against a member shall be paid to the Federal Home Loan Bank of which it is a member, and any such penalty assessed against an insured institution which is not a member shall be paid to the Federal Savings and Loan Insurance Corporation. The right to assess or to recover, or to assess and recover, any such penalty is not abated or affected by an institution's ceasing to be a member or ceasing to be insured. The Board may authorize or



require that, at any time before collection thereof, and whether before or after the bringing of any action or other legal proceeding, the obtaining of any judgment or other recovery, or the issuance or levy of any execution or other legal process therefor, and with or without consideration, any such penalty or recovery be compromised, remitted, or mitigated in whole or part. The penalties authorized under this subsection are in addition to all remedies and sanctions otherwise available.

REDUCTION ; SUSPENSION OF REQUIREMENTS IN TIME OF NATIONAL  
EMERGENCY

(e) Whenever the Board deems it advisable in order to enable an institution to meet withdrawals or to pay obligations, the Board may, to such extent and subject to such conditions as it may prescribe, permit the institution to reduce its liquidity below the minimum amount. Whenever the Board determines that conditions of national emergency or unusual economic stress exist, the Board may suspend any part or all of the liquidity requirements hereunder for such period as the Board may prescribe. Any such suspension, unless sooner terminated by its terms or by the Board, shall terminate at the expiration of ninety days next after its commencement, but nothing in this sentence prevents the Board from again exercising, before, at, or after any such termination, the authority conferred by this subsection.

RULES AND REGULATIONS ; INVESTIGATIONS BY BOARD

(f) The Board is authorized to issue such rules and regulations, including definitions of terms used in this section, to make such examinations, and to conduct such investigations as it deems necessary or appropriate to effectuate the purposes of this section. The reasonable cost of any such examination or investigation, as determined by the Board, shall be paid by the institution. In connection with any such examination or investigation the Board has the same functions and authority that the Federal Savings and Loan Insurance Corporation has under subsection (m) of section 1730 of this title, and for purposes of this subsection the provisions of said subsection (m), including the next to last sentence but not including the last sentence, and the provisions of the first sentence of subsection (n) of that section are applicable in the same manner and to the same extent that they would be applicable if all references therein to the Corporation were also references to the Board and all references therein to that section or any part thereof were also references to this section.

**§ 1425b. Rate of interest payable on deposits, shares or withdrawable accounts by members, insured institutions and other nonmember financial institutions—Rules and regulations**

(a) The Board may from time to time, after consulting with the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation, prescribe rules governing the payment and advertisement of interest or dividends on deposits, shares, or withdrawable accounts, including limitations on the rates of interest or dividends on deposits, shares or with-

drawable accounts that may be paid by members, other than those the deposits of which are insured in accordance with the provisions of the Federal Deposit Insurance Act, by institutions which are insured institutions as defined in section 1724(a) of this title, and by nonmember building and loan, savings and loan, and homestead associations, and cooperative banks. The Board may prescribe different rate limitations for different classes of deposits, shares, or withdrawable accounts, for deposits, shares or withdrawable accounts of different amounts or with different maturities or subject to different conditions regarding withdrawal or repayment, according to the nature or location of such members, institutions, or nonmembers or their depositors, shareholders or withdrawable account holders, or according to such other reasonable bases as the Board may deem desirable in the public interest. The authority conferred by this subsection shall apply to nonmember building and loan, savings and loan, and homestead associations, and cooperative banks in any State if (1) the total amount of deposits, shares, and withdrawable accounts held in all such nonmember associations and banks in the State, plus the total amount of time and savings deposits held in all banks in the State which are not insured by the Federal Deposit Insurance Corporation, is more than 20 per centum of the total amount of such deposits, shares, and withdrawable accounts held in all banks, and building and loan, savings and loan, and homestead associations (including cooperative banks) in the State, and (2) there does not exist under the laws of such State a bank supervisory agency with authority comparable to that conferred by the first two sentences of this subsection, including specifically the authority to regulate the rates of interest and dividends paid by any such association or bank on deposits, shares, or withdrawable accounts, or if such agency exists it has not issued regulations in the exercise of that authority. Such authority shall only be exercised by the Board with respect to such nonmember associations and banks prior to July 31, 1970, to limit the rates of interest or dividends which such associations or banks may pay on deposits, shares, or withdrawable accounts to maximum rates not lower than  $5\frac{1}{2}$  per centum per annum.

#### CIVIL PENALTIES; DISCRETION OF BOARD

(b) In addition to any other penalty provided by this or any other law, any institution subject to this section which violates a rule promulgated pursuant to this section shall be subject to such civil penalties, which shall not exceed \$100 for each violation, as may be prescribed by said Board by rule and such rule may provide with respect to any or all such violations that each day on which the violation continues shall constitute a separate violation. The Board may recover any such civil penalty for its own use, through action or otherwise, including recovery thereof in any other action or proceeding under this section. The Board may, at any time before collection of any such penalty, whether before or after the bringing of an action or other legal proceeding, the obtaining of any judgment or other recovery, or the issuance or levy of any execution or other legal process therefor, and with or without consideration, compromise, remit, or mitigate in whole or in part any such penalty or any such recovery.



## ENFORCEMENT POWERS OF BOARD

(c) Whenever it shall appear to the Board that any nonmember institution is engaged or has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this section or of any regulations thereunder, the Board may, in its discretion, bring an action in the United States district court for the judicial district in which the principal office of the institution is located to enjoin such acts or practices, to enforce compliance with this section or any regulations thereunder, or for a combination of the foregoing, and such courts shall have jurisdiction of such actions, and, upon a proper showing, an injunction, restraining order, or other appropriate order may be granted without bond.

## EXPENSES

(d) All expenses of the Board under this section shall be considered as nonadministrative expenses.

## § 1426. Capital stock—Minimum amount; subscription books

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## LOANS TO INSTITUTIONS NOT AUTHORIZED TO SUBSCRIBE TO STOCK

(e) If the law of the State under which an institution described in section 1424 of this title operates does not permit such institution to subscribe for stock in the Federal Home Loan Bank but if such institution has the power to borrow money and give security therefor, the board may permit such institution to obtain advances on the same terms and conditions and subject to the same limitations as members (except that such institution shall not be required, during the period during which advances may be made under this subsection, to subscribe for stock in the Federal Home Loan Bank or to deposit such stock as collateral security as required in section 1430 of this title), but such institution shall be required to keep on deposit such security, in addition to home mortgages, for such advances, as the board shall determine, which shall equal in value 1 per centum of the aggregate unpaid principal of such institution's home mortgage loans (but not less than \$500). No advance to any such institutions shall be made under authority of this subsection after the State in which the institution is organized enacts legislation authorizing such institution to subscribe for Federal Home Loan Bank stock or after the expiration of the next regular session of the legislature of such State begun after July 22, 1932, whichever is earlier. If, at the end of such time, such institution is not authorized to subscribe for stock, the bank shall proceed to liquidate the indebtedness of such institution to the bank and to terminate its relations with such institution. No advance shall be made under authority of this subsection which matures more than one year after the advance is made, but the bank may renew any such advance for yearly periods, or less, thereafter. The maturity of no advance authorized under this subsection shall be later than the time of the enactment of legislation authorizing such institution to become a member or the expiration of such session of the legislature of the State, whichever is earlier.

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**§ 1429. Eligibility of members and nonmember borrowers to secure advances**

Any member or nonmember borrower of a Federal Home Loan Bank shall be entitled to apply in writing for advances. Such application shall be in such form as shall be required by the Federal Home Loan Bank with the approval of the board. Such Federal Home Loan Bank may at its discretion deny any such application, or, subject to the approval of the board, may grant it on such conditions as the Federal Home Loan Bank may prescribe.

**§ 1430. Advances—Authorization to make; limitation on amount**

(a) Each Federal Home Loan Bank is authorized to make advances to its members upon the security of home mortgages, or obligations of the United States, or obligations fully guaranteed by the United States, subject to such regulations, restrictions, and limitations as the Board may prescribe. Any such advance shall be subject to the following limitations as to amount:

(1) If secured by a mortgage insured under the provisions of subchapters I, II, VI, VIII, or X of chapter 13 of this title, the advance may be for an amount not in excess of 90 per centum of the unpaid principal of the mortgage loan.

(2) If secured by a home mortgage given in respect of an amortized home mortgage loan which was for an original term of six years or more, or in cases where shares of stock, which are pledged as security for such loan, mature in a period of six years or more, the advance may be for an amount not in excess of 65 per centum of the unpaid principal of the home mortgage loan; but in no case shall the amount of the advance exceed 60 per centum of the value of the real estate securing the home mortgage loan.

(3) If secured by a home mortgage given in respect of any other home mortgage loan, the advance shall not be for an amount in excess of 50 per centum of the unpaid principal of the home mortgage loan; but in no case shall the amount of such advance exceed 40 per centum of the value of the real estate securing the home mortgage loan.

(4) If secured by obligations of the United States, or obligations fully guaranteed by the United States, the advance shall not be for an amount in excess of the face value of such obligations.

**HOME MORTGAGES AS SECURITY**

(b) No home mortgage shall be accepted as collateral security for an advance by a Federal Home Loan Bank if, at the time such advance is made (1) the home mortgage loan secured by it has more than thirty years to run to maturity, unless such home mortgage is insured under the National Housing Act, as amended, or insured or guaranteed under the Servicemen's Readjustment Act of 1944, as amended, chapter 37 of Title 38, or (2) the home mortgage exceeds a sum equal to \$40,000 for each home or other dwelling unit covered by such mortgage, or (3) is past due more than six months when presented, unless the amount of the debt secured by such home mortgage is less than 50 per centum of the value of the real estate with respect to which the home mortgage was given, as such real estate was appraised when the home mortgage

was made. For the purposes of this subsection and subsection (a) of this section the value of real estate shall be as of the time the advance is made and shall be established by such certification by the borrowing institution, or such other evidence, as the board may require. For the purposes of this section, each Federal Home Loan Bank shall have power to make, or to cause or require to be made, such appraisals and other investigations as it may deem necessary. No home mortgage otherwise eligible to be accepted as collateral security for an advance by a Federal Home Loan Bank shall be accepted if any director, officer, employee, attorney, or agent of the Federal Home Loan Bank or of the borrowing institution is personally liable thereon, unless the board has specifically approved by formal resolution such acceptance.

NOTES OF BORROWING MEMBERS; INTEREST RATE; LIMITATION ON LOANS;  
LIEN ON STOCK

(c) Such advances shall be made upon the note or obligation of the member or nonmember borrower secured as provided in this section, bearing such rate of interest as the board may approve or determine, and the Federal Home Loan Bank shall have a lien upon and shall hold the stock of such member as further collateral security for all indebtedness of the member to the Federal Home Loan Bank. At no time shall the aggregate outstanding advances made by any Federal Home Loan Bank to any member exceed twelve times the amounts paid in by such member for outstanding capital stock held by it, or made to a nonmember borrower exceed twelve times the value of the security required to be deposited under subsection (e) of section 1426 of this title.

OBLIGATION TO REPAY; ADDITIONAL SECURITY; SALE OF ADVANCES  
TO OTHER BANKS

(d) The institution applying for an advance shall enter into a primary and unconditional obligation to pay off all advances, together with interest and any unpaid costs and expenses in connection therewith according to the terms under which they were made, in such form as shall meet the requirements of the bank and the approval of the board. The bank shall reserve the right to require at any time, when deemed necessary for its protection, deposits of additional collateral security or substitutions of security by the borrowing institution, and each borrowing institution shall assign additional or substituted security when and as so required. Subject to the approval of the board, any Federal Home Loan Bank shall have power to sell to any other Federal Home Loan Bank, with or without recourse, any advance made under the provisions of this chapter, or to allow to such bank a participation therein, and any other Federal Home Loan Bank shall have power to purchase such advance or to accept a participation therein, together with an appropriate assignment of security therefor.

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**§ 1430b. Advances to nonmember mortgagee; terms and conditions**

Each Federal Home Loan Bank is authorized to make advances to nonmember mortgagees approved under sections 1707–1715, 1715b, and 1715c of this title. Such mortgagees must be chartered institutions having succession and subject to the inspection and supervision of some governmental agency, and whose principal activity in the mortgage field must consist of lending their own funds. Such advances shall not be subject to the other provisions and restrictions of this chapter, but shall be made upon the security of insured mortgages, insured under sections 1707–1715, 1715b, and 1715c of this title. Advances made under the terms of this section shall be at such rates of interest and upon such terms and conditions as shall be determined by the Federal Home Loan Bank Board, but no advance may be for an amount in excess of 90 per centum of the unpaid principal of the mortgage loan given as security.

**§ 1431. Powers and duties of banks****INVESTMENT OF SURPLUS FUNDS**

(h) Such part of the assets of each Federal Home Loan Bank (except reserves and amounts provided for in subsection (g)) of this section as are not required for advances to members or nonmember borrowers, may be invested, to such extent as the bank may deem desirable and subject to such regulations, restrictions, and limitations as may be prescribed by the board, in obligations of the United States, in obligations, participations, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association, in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 1454 or section 1455 of this title, in the stock of the Federal National Mortgage Association, and in such securities as fiduciary and trust funds may be invested in under the laws of the State in which the Federal Home Loan Bank is located.

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**§ 1433. Exemption from taxation; obligation acceptable as credit on debt of home owner**

Any and all notes, debentures, bonds, and other such obligations issued by any bank, and consolidated Federal Home Loan Bank bonds and debentures, shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The bank, including its franchise, its capital, reserves, and surplus, its advances, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing au-



thority; except that in <sup>1</sup> any real property of the bank shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed. The notes, debentures, and bonds issued by any bank, with unearned coupons attached, shall be accepted at par by such bank in payment of or as a credit against the obligation of any homeowner debtor of such bank.

#### § 1436. Reserves and dividends

Each Federal Home Loan Bank shall carry to a reserve account semiannually 20 per centum of its net earnings until said reserve account shall show a credit balance equal to 100 per centum of the paid-in capital of such bank. After said reserve has reached 100 per centum of the paid-in capital of said bank, 5 per centum of its net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired below 100 per centum of the paid-in capital it shall be restored before any dividends are paid. Each Federal Home Loan Bank shall establish such additional reserves and/or make such charge-offs on account of depreciation or impairment of its assets as the board shall require from time to time. No dividends shall be paid except out of net earnings remaining after all reserves and charge-offs required under this chapter have been provided for, and then only with the approval of the board. The reserves of each Federal Home Loan Bank shall be invested, subject to such regulations, restrictions, and limitations as may be prescribed by the board, in direct obligations of the United States, in obligations, participations, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association, in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 1454 or section 1455 of this title, and in such securities as fiduciary and trust funds may be invested in under the laws of the State in which the Federal Home Loan Bank is located.

#### § 1437. Federal Home Loan Bank Board; creation; composition; powers and duties; salaries; independent agency; report to Congress

(a) For the purposes of this chapter there shall be a board, to be known as the "Federal Home Loan Bank Board", which shall consist of five citizens of the United States appointed by the President of the United States, by and with the advice and consent of the Senate. Not more than three members of the board shall be members of the same political party. Each member shall devote his entire time to the business of the board. Before entering upon his duties each of the members shall take an oath faithfully to discharge the duties of his office. The President of the United States shall designate one of the members of the board to serve for a term of two years, one for three years, one for four years, one for five years, and one for six years from July 22, 1932, and thereafter the term of each member shall be six years from the date of the expiration of the term for which his predecessor was appointed. Whenever a

<sup>1</sup> So in original. Word "in" probably should be omitted.

vacancy shall occur among the members the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of the member whose place he is selected to fill. Each of the members of the board shall receive a salary at the rate of \$10,000 per annum: *Provided*, That during the fiscal year 1933 the salary shall be \$9,000 per annum. The President shall designate one of the members as chairman of the board. The chairman shall be the chief executive officer of the board and in his absence or disability the duties of his office shall be performed by some one of the other members to be designated as acting chairman by the chairman in such order as he may determine. The board shall supervise the Federal Home Loan Banks created by this chapter, shall perform the other duties specifically prescribed by this chapter, and shall have power to adopt, amend, and require the observance of such rules, regulations, and orders as shall be necessary from time to time for carry-out the purposes of the provisions of this chapter. The board shall have power to suspend or remove any director, officer, employee, or agent of any Federal Home Loan Bank, the cause of such suspension or removal to be communicated in writing forthwith to such director, officer, employee, or agent, and to such Federal Home Loan Bank.

(b) The Home Loan Bank Board which was, pursuant to Reorganization Plan Numbered 3 of 1947, established and made a constituent agency of the Housing and Home Finance Agency shall, from August 11, 1955, cease to be such a constituent agency and shall be an independent agency (including the Federal Savings and Loan Insurance Corporation) in the executive branch of the Government: *Provided*, That the functions vested in the Chairman of said board under clause (2) of the last sentence of subsection (b) of section 2 of said reorganization plan are transferred to said board. Notwithstanding any other provision of law, said board, the Chairman thereof except as herein otherwise provided, and the Federal Savings and Loan Insurance Corporation, respectively, shall have and may exercise all functions which they respectively had or could exercise, immediately prior to August 11, 1955 or immediately prior to June 24, 1954. Said board shall annually make a report of its operations (including those of the Federal Savings and Loan Insurance Corporation) to the Congress as soon as practicable after the first day of January in each year. The name of the Home Loan Bank Board is changed to "Federal Home Loan Bank Board".

\* \* \* \* \*

#### § 1440. Examination of banks; powers of examiners

The board shall from time to time, at least annually, require examinations and reports of condition of all Federal Home Loan Banks in such form as the board shall prescribe and shall furnish periodically statements based upon the reports of the banks to the board. For the purposes of this chapter, examiners appointed by the board shall be subject to the same requirements, responsibilities, and penalties as are applicable to examiners under chapters 2 and 3 of this title, and shall have, in the exercise of functions under this chapter, the same powers and privileges as are vested in such examiners by law.

\* \* \* \* \*

**§ 1444. Eligibility to membership in banks**

(a) Any organization organized under the laws of any State and subject to inspection and regulation under the banking or similar laws of such State shall be eligible to become a member under this chapter if—

(1) it is organized solely for the purpose of supplying credit to its members;

(2) its membership (A) is confined exclusively to building and loan associations, savings and loan associations, cooperative banks, and homestead associations; or (B) is confined exclusively to savings banks; and

(3) of the institutions to which its membership is confined which are organized within the State, its membership includes a majority of such institutions.

(b) In all respects, but subject to such additional rules and regulations as the board may provide, any such organization shall be a member for the purposes of this chapter.



EXCERPTS FROM HOME OWNERS' LOAN ACT OF 1933, AS AMENDED

[Public Law 43, 73d Cong., 48 Stat. 128, 12 U.S.C. 1461]

§ 1461. Short title

This chapter may be cited as the "Home Owners' Loan Act of 1933."

§ 1462. Definitions

As used in this chapter—

(a) The term "Board" means the Federal Home Loan Bank Board.

(b), (c) Omitted.

(d) The term "association" means a Federal Savings and Loan Association chartered by the Board as provided in section 1464 of this title.

\* \* \* \* \*

§ 1464. Federal Savings and Loan Associations

ORGANIZATION AUTHORIZED

(a) In order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes, the Board is authorized, under such rules and regulations as it may prescribe, to provide for the organization, incorporation, examination, operation, and regulation of associations to be known as "Federal Savings and Loan Associations", and to issue charters therefor, giving primary consideration to the best practices of local mutual thrift and home-financing institutions in the United States.

CAPITAL; MEMBERS OF THE ASSOCIATION; VOTING RIGHTS; PAYMENT OF SAVINGS ACCOUNTS AND WITHDRAWALS; NONTRANSFERABLE ORDERS OR AUTHORIZATIONS; AUTHORIZATION TO BORROW, GIVE SECURITY, AND ISSUE NOTES, BONDS, DEBENTURES, OR OTHER OBLIGATIONS

(b) (1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of

savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize.

#### LOANS; SECURITY REQUIRED; INVESTMENT OF ASSETS

(c) Such associations shall lend their funds only on the security of their savings accounts or on the security of first liens upon real property within one hundred miles of their home office or within the State in which such home office is located which constitute first liens upon homes, combinations of homes and business property, other dwelling units, or combinations of dwelling units, including homes, and business property involving only minor or incidental business use (all of which may be defined by the Board): *Provided*, That not more than \$60,000<sup>1</sup> (except that with respect to dwellings in Alaska, Guam, and Hawaii the foregoing limitation may, by regulation of the Board, be increased by not to exceed 50 per centum) for each single-family dwelling, and not more than such amount per room as the Board may determine by regulation within the limits allowable (at the time of the loan) in section 1713(c)(3) of this title for any other dwelling unit covered by such lien, shall be loaned on the security of any such lien<sup>2</sup> except that not exceeding 20 per centum of the assets of such association may be loaned on the security of first liens upon improved real estate without regard to the foregoing limitations, but of said 20 per centum the amount deemed to be loaned in transactions which, except for excess in amount, would be eligible for such association under provisions of this sentence (other than this exception) or under the next

<sup>1</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by deleting \$55,000 and inserting in lieu thereof \$60,000, and by inserting "but of said 20 per centum the amount deemed to be loaned in transactions which, except for excess in amount, would be eligible for such association under provisions of this sentence (other than this exception) or under the next following sentence shall be only the outstanding amount of such excess".

<sup>2</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by deleting after the phrase "shall be loaned on the security of any such lien" the following: ", and the Board shall by regulation limit to not more than 20 per centum of the assets of the association the aggregate amount or amounts of the investments which may be made by an association under the foregoing provisions of this sentence on the security of property which comprises or includes more than four dwelling units or does not constitute homes or combinations of homes and business property".

following sentence shall be only the outstanding amount of such excess,<sup>1</sup> and additional sums not exceeding 20 per centum of the assets of an association may be used without regard to such area restriction for the making or purchase of participating interests in first liens on real property of the type described in this sentence in the matter preceding this proviso:

*And provided further*, That any portion of the assets of such associations may be invested in obligations of, or fully guaranteed as to principal and interest by, the United States, or in the stock or bonds of a Federal Home Loan Bank, or in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 1454 or 1455 of this title, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government National Mortgage Association, or any other agency of the United States or the stock of the Federal National Mortgage Association; or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation; or in general obligations of any State or of any political subdivision thereof or in obligations or other instruments or securities of the Student Loan Marketing Association; and as used in this section the term "State" shall include the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States: *And provided further*, That any such association which is converted from a State-chartered institution may continue to make loans in the territory in which it made loans while operating under State charter. In addition to the loans and investments otherwise authorized, such associations may purchase, subject to all the provisions of this paragraph except the area restriction, loans secured by first liens on improved real estate which are insured under the provisions of the National Housing Act, as amended, or insured as provided in the Servicemen's Readjustment Act of 1944, as amended, or chapter 37 of Title 38. Structures or parts thereof designed or used as fraternity or sorority houses which include sleeping accommodations for students of a college or university, or designed or used principally for the provision of living accommodations for persons who are students, employees, or members of the staff of a college, university, or hospital, shall be considered, subject to such regulations as the Board may prescribe, "other dwelling units" for the purposes of this subsection.

Without regard to any other provision of this subsection except the area requirement, any such association is authorized to invest a sum not in excess of 20 per centum of the assets of such association in loans insured under subchapter I of chapter 13 of this title, in home improvement loans insured under subchapter II of chapter 13 of this title, in unsecured loans insured or guaranteed under the provisions of the Servicemen's Readjustment Act of 1944, as amended, or chapter 37 of Title 38, and in other loans for property alteration, repair, or improvement, including the construction of new structures related to residential use of the property: *Provided*, That no such loan, unless so insured or guaranteed, shall be made in excess of \$15,000.<sup>2</sup> Participating interests in loans secured by mortgages which have the benefit of insurance

<sup>1</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by deleting "\$10,000" and inserting in lieu thereof "\$15,000".

<sup>2</sup> See footnote 2 on the previous page.



or guaranty (or a commitment therefor) under the National Housing Act, the Servicemen's Readjustment Act of 1944, or chapter 37 of Title 38 shall not be taken into account in determining the amount of loans which an association may make within any of the percentage limitations contained in the first proviso of this subsection.

Without regard to any other provision of this subsection, but subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, any such association may make and invest in—

(A) any loan not exceeding \$15,000<sup>1</sup> made for the repair, equipping, alteration, or improvement of any real property, or

(B) any loan made for the purpose of mobile home financing.

Without regard to any other provision of this subsection, any such association is authorized to invest in loans, obligations, and advances of credit (all of which are hereinafter referred to as "loans") made for the payment of expenses of college, university, or vocational education, but no association shall make any investment in loans under this paragraph if the principal amount of its investment in such loans, exclusive of any investment which is or which at the time of its making was otherwise authorized, would thereupon exceed 5 per centum of its assets.

Without regard to any other provision of this subsection except the area restriction, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to invest an amount not exceeding at any one time 5 per centum of such withdrawable accounts in loans to finance the acquisition and development of land for primarily residential usage, subject to such rules and regulations as the Board may prescribe.

Without regard to any other provision of this subsection except the area restriction and the dollar amount limitation, any such association may invest an amount not exceeding at any one time 5 per centum of its assets in nonamortized loans which are made on the security of first liens upon homes or combinations of homes and business property and which (1) are repayable within a period of eighteen months, (2) provide that interest payments be made at least semiannually, and (3) do not exceed 80 per centum of the appraised value of the property involved. For the purposes of this paragraph the term "first liens" includes the assignment of the whole of the beneficial interest in a trust having a corporate trustee whereunder real estate held in the trust can be subjected to the satisfaction of the obligation or obligations secured with the same priority as a first mortgage, a first deed of trust, or a first trust deed in the jurisdiction where the real estate is located.

Without regard to any other provision of this subsection except the area restriction, any such association is authorized to invest an amount not exceeding at any one time 5 per centum of its assets in amortized loans or participating interests therein which are secured by first liens upon improved real estate used to provide housing facilities for the aging, subject to the following qualifications:

(1) each such loan shall be repayable within a period of 30 years;

(2) no such loan shall exceed 90 per centum of the appraised value of the improved real estate given as security therefor; and

<sup>1</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by deleting "\$10,000" and inserting in lieu thereof "\$15,000".

(3) each such loan—

(A) shall be made upon and secured by real estate which is improved by housing accommodations, individual or multiple, designed for the purpose of providing accommodations for occupancy by aging persons, or of providing rest homes or nursing homes, so constructed or altered as to be suitable primarily for the occupancy of persons over fifty-five years of age and limited principally to the occupancy of such persons; and

(B) shall be made for the implementation of the purpose described in clause (A).

Without regard to any other provision of this subsection, any such association is authorized to invest not more than 5 per centum of its assets in, or in interest in, real property located within urban renewal areas as defined in subsection (a) of section 1460 of Title 42 and obligations secured by first liens on real property so located, but no investment shall be made by an association under this sentence in real property or any interest therein if the aggregate investment of the association under this sentence in real property and interests therein, determined as prescribed by the Board, would thereupon exceed 2 per centum of the assets of the association.

Without regard to any other provision of this subsection, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to invest in, to lend to, or to commit itself to lend to any business development credit corporation incorporated in the State in which the head office of such association is situated, in the same manner and to the same extent as the statutes of such State authorize a savings and loan association organized under the laws of said State to invest in, to lend to, or to commit itself to lend to such business development credit corporation, but the aggregate amount of such investments, loans, and commitments of any such association outstanding at any time shall not exceed one-half of 1 per centum of the total outstanding loans made by such association, or \$250,000, whichever is the lesser.

For the purpose of this section the terms "real property" and "real estate" shall include a leasehold or subleasehold estate in real property under a lease or sublease the term of which does not expire, or which is renewable automatically or at the option of the holder (or at the option of the association) so as not to expire, for at least ten years beyond the maturity of the debt.

Any such association is authorized to invest in the capital stock, obligations, or other securities of any corporation organized under the laws of the State, District, Commonwealth, territory, or possession in which the home office of the association is located. If the entire capital stock of such corporation is available for purchase only by savings and loan associations of that State, District, Commonwealth, territory, or possession and by Federal savings and loan associations having their home offices therein, but no association may make any investment under this sentence if its aggregate outstanding investment under this sentence, determined as prescribed by the Board, would thereupon exceed 1 per centum of its assets.

Without regard to any other provision of this subsection any such association may, to such extent as the Federal Home Loan Bank Board may by regulation permit, (1) invest in loans, and interests in loans,



secured by mortgages as to which the association has the benefit of insurance under subchapter IX-A of chapter 13 of this title, now or hereafter in effect, or of a commitment or agreement for such insurance, or (2) acquire and held investments in housing project loans, or interests therein, having the benefit of any guaranty under section 2181 of Title 22, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 2184 of Title 22, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections and in the share capital and capital reserve of the Inter-American Savings and Loan Bank.<sup>1</sup> This authority extends to the acquisition, holding, and disposition of loans, or interests therein, having the benefit of any guaranty under section 2181 or 2182 of Title 22 or such sections as hereafter amended or extended, or of any commitment or agreement for any such guaranty. Investments under clause (1) of this paragraph shall not be included in any percentage of assets or other percentage referred to in this subsection. Investments under clause (2) of this paragraph shall not exceed, in the case of any association, 1 per centum of the assets of such association. Without regard to any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of any guaranty under title IV of the Housing and Urban Development Act of 1968 or under part B of the Urban Growth and New Community Development Act of 1970 or under section 802 of the Housing and Community Development Act of 1974<sup>2</sup> or under section 1440 of Title 42, as now or hereafter in effect, or of a commitment or agreement therefor, and such investment shall not be included in any percentage of assets or other percentages referred to in this subsection.

Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 1715z-5 of this title, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection.

Any such association may invest in loans, or interests in loans, to financial institutions with respect to which the United States or any agency or instrumentality thereof has any function of examination or supervision, or to any broker or dealer registered with the Securities and Exchange Commission, secured by loans, obligations, or investments in which it has any statutory authority to invest directly.

No building and loan association incorporated under the laws of the District of Columbia or organized in such District or doing business in such District shall establish any branch or move its principal office or any branch without the prior written approval of the Federal Home Loan Bank Board, and no other building and loan association shall establish any branch in such District or move its principal office or any branch in such District without such approval. As used in the

<sup>1</sup> Sec. 22 of the Housing Authorization Act of 1976, Public Law 94-375, approved August 3, 1976, 90 Stat. 1067, amended the twelfth undesignated paragraph of section 5(c) of the Home Owners' Loan Act of 1933 by inserting "and in the share capital and capital reserve of the Inter-American Savings and Loan Bank" before the period and after the words "made pursuant to either of such sections".

<sup>2</sup> Sec. 802(1)(2) of the Housing and Community Development Act of 1974, Public Law 93-383, 88 Stat. 633, approved August 22, 1974, added the words "or under section 802 of the Housing and Community Development Act of 1974".



sentence next preceding, "branch" means any office, place of business, or facility, other than the principal office as defined by the Board, of a building and loan association at which accounts are opened or payments thereon are received or withdrawals therefrom are paid, or any other office, place of business, or facility of a building and loan association defined by the Board as a branch within the meaning of such sentence, and as used in such sentence and in this sentence "building and loan association" means any incorporated or unincorporated building, building or loan, building and loan, savings and loan, or homestead association or cooperative bank.

Any such association may invest in any investment which, at the time of the making of the investment, is an asset eligible for inclusion toward the satisfaction of any liquidity requirement imposed on the association pursuant to section 1425a of this title, but only to the extent that the investment is permitted to be so included under regulations issued by the Board pursuant to that section, or is otherwise authorized.

Any such association is authorized to act as trustee of any trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan which qualifies or qualified for specific tax treatment under section 401(d) of Title 26, if the funds of such trust are invested only in savings accounts or deposits in such association or in obligations or securities issued by such association. All funds held in such fiduciary capacity by any such association may be commingled for appropriate purposes of investment, but individual records shall be kept by the fiduciary for each participant and shall show in proper detail all transactions engaged in under the authority of this paragraph.

Any such association may issue and sell securities which are guaranteed pursuant to section 1721(g) of this title.

Without regard to any other provision of this subsection, any such association is authorized to invest in shares of stock issued by a corporation authorized to be created pursuant to title IX of the Housing and Urban Development Act of 1968, and is authorized to invest in any partnership, limited partnership, or joint venture formed pursuant to section 907(a) or 907(c) of that Act.

Subject to regulation by the Board but without regard to any other provisions of this subsection, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to invest in, to lend to, or to commit itself to lend to any State housing corporation incorporated in the State in which the home office of such association is situated, in the same manner and to the same extent as the statutes of such State authorize a savings and loan association organized under the laws of such State to invest in, to lend to, or commit itself to lend to such State housing corporation, but loans and loan commitments under this sentence shall be subject to appropriate limitations prescribed by the Board, and no association may make any investment, other than loans and loan commitments, under this sentence if its aggregate outstanding direct investment under this sentence, determined as prescribed by the Board, would thereupon exceed one-fourth of 1 per centum of its assets.

Without regard to any other provision of this subsection, any such association is authorized to invest an amount, not exceeding the greater of (A) the sum of its surplus, undivided profits, and reserves or (B)

5<sup>1</sup> per centum of its assets, in loans or interests therein the principal purpose of which is to provide financing with respect to what is or is expected to become primarily residential real estate within one hundred miles of its home office or within the State in which such office is located, where (i) the association relies substantially for repayment on the borrower's general credit standing and forecast of income, with or without other security, or (ii) the association relies on other assurances for repayment, including but not limited to a guaranty or similar obligation of a third party, and, in either case described in clause (i) or (ii), regardless of whether or not the association takes security; and investments under this sentence shall not be included in any percentage of assets or other percentage referred to in this subsection.

Subject to such prohibitions, limitations, and conditions as the Board may prescribe, any such association may invest in loans and advances of credit and interests therein upon the security of or respecting real property or interests therein used for primarily residential or farm<sup>2</sup> purposes (all of which may be defined by the Board) that do not comply with the limitations and restrictions in this subsection, but no investment shall be made by an association under this sentence if its aggregate outstanding investment under this sentence determined as prescribed by the Board, exclusive of any investment which is or at the time of its making was otherwise authorized, would thereupon exceed 5 per centum of its assets.

Subject to regulation by the Board but without regard to any other provision of this subsection, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to borrow funds from a State mortgage finance agency of the State in which the head office of such association is situated to the same extent as State law authorizes a savings and loan association organized under the laws of such State to borrow from the State mortgage finance agency, except that such an association may not make any loan of such funds at an interest rate which exceeds by more than 1¾ per centum per annum the interest rate paid to the State mortgage finance agency on the obligations issued to obtain the funds so borrowed.

PROCEEDINGS TO ENFORCE COMPLIANCE WITH LAW AND REGULATIONS;  
CEASE AND DESIST PROCEEDINGS; TEMPORARY CEASE-AND-DESIST ORDERS;  
SUSPENSION OR REMOVAL OF DIRECTORS OR OFFICERS; APPOINTMENT AND  
REMOVAL OF CONSERVATOR OR RECEIVER; HEARINGS AND JUDICIAL RE-  
VIEW; REGULATIONS FOR REORGANIZATION, DISSOLUTIONS, ETC.; PENAL-  
TIES; DEFINITIONS; APPLICATION TO OTHER INSTITUTIONS

(d)(1) The Board shall have power to enforce this section and rules and regulations made hereunder. In the enforcement of any provision of this section or rules and regulations made hereunder, or any other law or regulation, or in any other action, suit, or proceeding to which it is a party or in which it is interested, and in the administration of conservatorships and receiverships, the Board is authorized to act in its own name and through its own attorneys. Except as otherwise provided herein, the Board shall be subject to

<sup>1</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, by deleting "3 per centum" and inserting in lieu thereof "5 per centum".

<sup>2</sup> Amended by Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, inserted "or farm".



suit (other than suits on claims for money damages) by any Federal savings and loan association or director or officer thereof with respect to any matter under this section or any other applicable law, or rules or regulations thereunder, in the United States district court for the judicial district in which the home office of the association is located, or in the United States District Court for the District of Columbia, and the Board may be served with process in the manner prescribed by the Federal Rules of Civil Procedure.

(2) (A) If, in the opinion of the Board, an association is violating or has violated, or the Board has reasonable cause to believe that the association is about to violate, a law, rule, regulation, or charter or other condition imposed in writing by the Board in connection with the granting of any application or other request by the association, or written agreement entered into with the Board, or is engaging or has engaged, or the Board has reasonable cause to believe that the association is about to engage, in an unsafe or unsound practice, the Board may issue and serve upon the association a notice of charges in respect thereof. The notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should issue against the association. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the Board at the request of the association. Unless the association shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the issuance of the cease-and-desist order. In the event of such consent, or if upon the record made at any such hearing the Board shall find that any violation or unsafe or unsound practice specified in the notice of charges has been established, the Board may issue and serve upon the association an order to cease and desist from any such violation or practice. Such order may, by provisions which may be mandatory or otherwise, require the association and its directors, officers, employees, and agents to cease and desist from the same, and, further, to take affirmative action to correct the conditions resulting from any such violation or practice.

(B) A cease-and-desist order shall become effective at the expiration of thirty days after service of such order upon the association concerned (except in the case of a cease-and-desist order issued upon consent, which shall become effective at the time specified therein), and shall remain effective and enforceable, except to such extent as it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

(3) (A) Whenever the Board shall determine that the violation or threatened violation or the unsafe or unsound practice or practices, specified in the notice of charges served upon the association pursuant to paragraph (2) (A) of this subsection, or the continuation thereof, is likely to cause insolvency (as defined in paragraph (6) (A) (i) of this subsection) or substantial dissipation of assets or earnings of the association, or is likely to otherwise seriously prejudice the interests of its savings account holders, the Board may issue a temporary order requiring the association to cease and desist from any such violation or practice. Such order shall become effective upon service upon the association and, unless set aside, limited, or suspended by a court in



proceedings authorized by subparagraph (B) of this paragraph, shall remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until such time as the Board shall dismiss the charges specified in such notice or, if a cease-and-desist order is issued against the association, until the effective date of any such order.

(B) Within ten days after the association concerned has been served with a temporary cease-and-desist order, the association may apply to the United States district court for the judicial district in which the home office of the association is located, or the United States District Court for the District of Columbia, for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of such order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the association under paragraph (2) (A) of this subsection, and such court shall have jurisdiction to issue such injunction.

(C) In the case of violation or threatened violation of, or failure to obey, a temporary cease-and-desist order, the Board may apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the association is located, for an injunction to enforce such order, and, if the court shall determine that there has been such violation or threatened violation or failure to obey, it shall be the duty of the court to issue such injunction.

(4) (A) Whenever, in the opinion of the Board, any director or officer of an association has committed any violation of law, rule, or regulation, or of a cease-and-desist order which has become final, or has engaged or participated in any unsafe or unsound practice in connection with the association, or has committed or engaged in any act, omission, or practice which constitutes a breach of his fiduciary duty as such director or officer, and the Board determines that the association has suffered or will probably suffer substantial financial loss or other damage or that the interests of its savings account holders could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty, and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director or officer, the Board may serve upon such director or officer a written notice of its intention to remove him from office.

(B) Whenever, in the opinion of the Board, any director or officer of an association, by conduct or practice with respect to another savings and loan association or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to continue as a director or officer, and, whenever, in the opinion of the Board, any other person participating in the conduct of the affairs of an association, by conduct or practice with respect to such association or other savings and loan association or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to participate in the conduct of the affairs of such association, the Board may serve upon such director, officer, or other person a written notice of its intention to remove him from office and/or to prohibit his further participation in any manner in the conduct of the affairs of such association.

(C) In respect to any director or officer of an association or any other person referred to in subparagraph (A) or (B) of this paragraph, the Board may, if it deems it necessary for the protection of the association or the interests of its savings account holders, by written notice to such effect served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the association. Such suspension and/or prohibition shall become effective upon service of such notice and, unless stayed by a court in proceedings authorized by subparagraph (E) of this paragraph, shall remain in effect pending the completion of the administrative proceedings pursuant to the notice served under subparagraph (A) or (B) of this paragraph and until such time as the Board shall dismiss the charges specified in such notice, or, if an order of removal and/or prohibition is issued against the director or officer or other person, until the effective date of any such order. Copies of any such notice shall also be served upon the association of which he is a director or officer or in the conduct of whose affairs he has participated.

(D) A notice of intention to remove a director, officer, or other person from office and/or to prohibit his participation in the conduct of the affairs of an association, shall contain a statement of the facts constituting grounds therefor, and shall fix a time and place at which a hearing will be held thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after the date of service of such notice, unless an earlier or a later date is set by the Board at the request of (i) such director, officer, or other person, and for good cause shown, or (ii) the Attorney General of the United States. Unless such director, officer, or other person shall appear at the hearing in person or by a duly authorized representative, he shall be deemed to have consented to the issuance of an order of such removal and/or prohibition. In the event of such consent, or if upon the record made at any such hearing the Board shall find that any of the grounds specified in such notice has been established, the Board may issue such orders of suspension or removal from office, and/or prohibition from participation in the conduct of the affairs of the association, as it may deem appropriate. Any such order shall become effective at the expiration of thirty days after service upon such association and the director, officer, or other person concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

(E) Within ten days after any director, officer, or other person has been suspended from office and/or prohibited from participation in the conduct of the affairs of an association under subparagraph (C) of this paragraph, such director, officer, or other person may apply to the United States district court for the judicial district in which the home office of the association is located, or the United States District Court for the District of Columbia, for a stay of such suspension and/or prohibition pending the completion of the administrative proceedings pursuant to the notice served upon such director, officer, or other person under subparagraph (A) or (B) of this paragraph, and such court shall have jurisdiction to stay such suspension and/or prohibition.



(5) (A) Whenever any director or officer of any association, or other person participating in the conduct of the affairs of such association, is charged in any information, indictment, or complaint authorized by a United States Attorney, with the commission of or participation in a felony involving dishonesty or breach of trust, the Board may, by written notice served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the association. A copy of such notice shall also be served upon the association. Such suspension and/or prohibition shall remain in effect until such information, indictment, or complaint is finally disposed of or until terminated by the Board. In the event that a judgment of conviction with respect to such offense is entered against such director, officer, or other person, and at such time as such judgment is not subject to further appellate review, the Board may issue and serve upon such director, officer, or other person an order removing him from office and/or prohibiting him from further participation in any manner in the conduct of the affairs of the association except with the consent of the Board. A copy of such order shall be served upon such association, whereupon such director or officer shall cease to be a director or officer of such association. A finding of not guilty or other disposition of the charge shall not preclude the Board from thereafter instituting proceedings to remove such director, officer, or other person from office and/or to prohibit further participation in association affairs, pursuant to subparagraph (A) or (B) of paragraph (4) of this subsection.

(B) If at any time, because of the suspension of one or more directors pursuant to this subsection (d), there shall be on the board of directors of an association less than a quorum of directors not so suspended, all powers and functions vested in or exercisable by such board shall vest in and be exercisable by the director or directors on the board and not so suspended, until such time as there shall be a quorum of the board of directors. In the event all of the directors of an association are suspended pursuant to this subsection (d), the Board shall appoint persons to serve temporarily as directors in their place and stand pending the termination of such suspensions, or until such time as those who have been suspended cease to be directors of the association and their respective successors take office.

(6) (A) The grounds for the appointment of a conservator or receiver for an association shall be one or more of the following: (i) insolvency in that the assets of the association are less than its obligations to its creditors and others, including its members; (ii) substantial dissipation of assets or earnings due to any violation or violations of law, rules, or regulations, or to any unsafe or unsound practice or practices; (iii) an unsafe or unsound condition to transact business; (iv) willful violation of a cease-and-desist order which has become final; (v) concealment of books, papers, records, or assets of the association or refusal to submit books, papers, records, or affairs of the association for inspection to any examiner or to any lawful agent of the Board. The Board shall have exclusive power and jurisdiction to appoint a conservator or receiver. If, in the opinion of the Board, a ground for the appointment of a conservator or receiver as herein pro-



vided exists, the Board is authorized to appoint *ex parte* and without notice a conservator or receiver for the association. In the event of such appointment, the association may, within thirty days thereafter, bring an action in the United States district court for the judicial district in which the home office of such association is located, or in the United States District Court for the District of Columbia, for an order requiring the Board to remove such conservator or receiver, and the court shall upon the merits dismiss such action or direct the Board to remove such conservator or receiver. Such proceedings shall be given precedence over other cases pending in such courts, and shall be in every way expedited. Upon the commencement of such an action, the court having jurisdiction of any other action or proceeding authorized under this subsection to which the association is a party shall stay such action or proceeding during the pendency of the action for removal of the conservator or receiver.

(B) In addition to the foregoing provisions, the Board may, without any requirement of notice, hearing, or other action, appoint a conservator or receiver for an association in the event that (i) the association, by resolution of its board of directors or of its members, consents to such appointment, or (ii) the association is removed from membership in any Federal home loan bank, or its status as an institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation is terminated.

(C) Except as otherwise provided in this subsection, no court may take any action for or toward the removal of any conservator or receiver, or, except at the instance of the Board, restrain or affect the exercise of powers or functions of a conservator or receiver.

(D) A conservator shall have all the powers of the members, the directors, and the officers of the association and shall be authorized to operate the association in its own name or to conserve its assets in the manner and to the extent authorized by the Board. The Board shall appoint only the Federal Savings and Loan Insurance Corporation as receiver for an association, and said Corporation shall have power to buy at its own sale as receiver, subject to approval by the Board. The Board may, without any requirement of notice, hearing, or other action, replace a conservator with another conservator or with a receiver, but any such replacement shall not affect any right which the association may have to obtain judicial review of the original appointment, except that any removal under this paragraph (6) shall be removal of the conservator or receiver in office at the time of such removal.

(7)(A) Any hearing provided for in this subsection (d) shall be held in the Federal judicial district or in the territory in which the home office of the association is located unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of chapter 5 of Title 5. Such hearing shall be private, unless the Board, in its discretion, after fully considering the views of the party afforded the hearing, determines that a public hearing is necessary to protect the public interest. After such hearing, and within ninety days after the Board has notified the parties that the case has been submitted to it for final decision, the Board shall render its decision (which shall include findings of fact upon which its deci-

sion is predicated) and shall issue and cause to be served upon each party to the proceeding an order or orders consistent with the provisions of this subsection. Judicial review of any such order shall be exclusively as provided in this paragraph (7). Unless a petition for review is timely filed in a court of appeals of the United States, as hereinafter provided in subparagraph (B) of this paragraph, and thereafter until the record in the proceeding has been filed as so provided, the Board may at any time, upon such notice and in such manner as it shall deem proper, modify, terminate, or set aside any such order. Upon such filing of the record, the Board may modify, terminate, or set aside any such order with permission of the court.

(B) Any party to the proceeding, or any person required by an order issued under this subsection to cease and desist from any of the violations or practices stated therein, may obtain a review of any order served pursuant to subparagraph (A) of this paragraph (other than an order issued with the consent of the association or the director or officer or other person concerned, or an order issued under paragraph (5) (A) of this subsection), by filing in the court of appeals of the United States for the circuit in which the home office of the association is located, or in the United States Court of Appeals for the District of Columbia Circuit, within thirty days after the date of service of such order, a written petition praying that the order of the Board be modified, terminated, or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Board, and thereupon the Board shall file in the court the record in the proceeding, as provided in section 2112 of Title 28. Upon the filing of such petition, such court shall have jurisdiction, which upon the filing of the record shall except as provided in the last sentence of said subparagraph (A) be exclusive, to affirm, modify, terminate, or set aside, in whole or in part, the order of the Board. Review of such proceedings shall be had as provided in chapter 7 of Title 5. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari as provided in section 1254 of Title 28.

(C) The commencement of proceedings for judicial review under subparagraph (B) of this paragraph shall not, unless specifically ordered by the court, operate as a stay of any order issued by the Board.

(8) The Board may in its discretion apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the association is located, for the enforcement of any effective and outstanding notice or order issued by the Board under this subsection (d), and such courts shall have jurisdiction and power to order and require compliance therewith; but except as otherwise provided in this subsection no court shall have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this subsection, or to review, modify, suspend, terminate, or set aside any such notice or order. Any court having jurisdiction of any proceeding instituted under this subsection by an association or a director or officer thereof, may allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper; and such expenses and fees shall be paid by the association or from its assets.

(9) In the course of or in connection with any proceeding under this subsection, the Board or any member thereof or a designated representative of the Board, including any person designated to conduct any hearing under this subsection, shall have power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpoenas and subpoenas duces tecum; and the Board is empowered to make rules and regulations with respect to any such proceedings. The attendance of witnesses and the production of documents provided for in this paragraph may be required from any place in any State or in any territory at any designated place where such proceeding is being conducted. Any party to proceedings under this subsection may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted or where the witness resides or carries on business, for enforcement of any subpoena or subpoena duces tecum issued pursuant to this paragraph, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpoenaed under this paragraph shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. All expenses of the Board or of the Federal Savings and Loan Insurance Corporation in connection with this subsection shall be considered as non-administrative expenses.

(10) Any service required or authorized to be made by the Board under this subsection may be made by registered mail, or in such other manner reasonably calculated to give actual notice as the Board may by regulation or otherwise provide.

(11) The Board shall have power to make rules and regulations for the reorganization, consolidation, liquidation, and dissolution of associations, for the merger of associations with other institutions the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, for associations in conservatorship and receivership, and for the conduct of conservatorships and receiverships; and the Board may, by regulation or otherwise, provide for the exercise of functions by members, directors, or officers of an association during conservatorship and receivership.

(12) (A) Any director or officer, or former director or officer, of an association, or any other person, against whom there is outstanding and effective any notice or order (which is an order which has become final) served upon such director, officer, or other person under paragraph (4)(C), (4)(D), or (5)(A) of this subsection, and who (i) participates in any manner in the conduct of the affairs of such association, or directly or indirectly solicits or procures, or transfers or attempts to transfer, or votes or attempts to vote any proxies, consents, or authorizations in respect of any voting rights in such association, or (ii) without the prior written approval of the Board, votes for a director or services or acts as a director, officer, or employee of any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, shall upon conviction be fined not more than \$5,000 or imprisoned for not more than one year, or both.



(B) Except with the prior written consent of the Board, no person shall serve as a director, officer, or employee of an association who has been convicted, or who is hereafter convicted, of a criminal offense involving dishonesty or a breach of trust. For each willful violation of this prohibition, the association involved shall be subject to a penalty of not more than \$100 for each day this prohibition is violated, which the Board may recover by suit or otherwise for its own use.

(C) Whenever a conservator or receiver appointed by the Board demands possession of the property, business, and assets of any association, or of any part thereof, the refusal by any director, officer, employee, or agent of such association to comply with the demand shall be punishable by a fine of not more than \$5,000 or imprisonment for not more than one year, or both.

(13) (A) As used in this subsection—

(1) The terms “cease-and-desist order which has become final” and “order which has become final” mean a cease-and-desist order, or an order, issued by the Board with the consent of the association or the director or officer or other person concerned, or with respect to which no petition for review of the action of the Board has been filed and perfected in a court of appeals as specified in paragraph (7) (B) of this subsection, or with respect to which the action of the court in which said petition is so filed is not subject to further review by the Supreme Court of the United States in proceedings provided for in said paragraph, or an order issued under paragraph (5) (A) of this subsection.

(2) The term “State” includes the Commonwealth of Puerto Rico.

(3) The term “territory” includes any possession of the United States and any place subject to the jurisdiction of the United States.

(4) The terms “district”, “district court”, “district court of the United States”, and “judicial district” shall have the meanings defined in section 451 of Title 28.

(B) As used in paragraph (4) of this subsection, the term “violation” includes without limitation any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

(14) As used in this subsection, the terms “Federal savings and loan association” and “association” shall include any institution with respect to which the Federal Home Loan Bank Board now or hereafter has any statutory power of examination or supervision under any Act or joint resolution of Congress other than this chapter, the Federal Home Loan Bank Act, and the National Housing Act. For the purposes of this paragraph (14), references in this subsection to directors, officers, employees, and agents, or to former directors or officers, of associations shall be deemed to be references respectively to directors, officers, employees, and agents, or to former directors or officers, of such institutions, references therein to savings account holders and to members of associations shall be deemed to be references to holders of withdrawable accounts in

such institutions, and references therein to boards of directors of associations shall be deemed to be references to boards of directors or other governing boards of such institutions. Said Board shall have power by regulation to define, for the purposes of this paragraph (14), terms used or referred to in the sentence next preceding and other terms used in this subsection.

QUALIFICATIONS OF INCORPORATORS; SELECTION OF LOCALITIES FOR  
ESTABLISHMENT

(e) No charter shall be granted except to persons of good character and responsibility, nor unless in the judgment of the Board a necessity exists for such an institution in the community to be served, nor unless there is a reasonable probability of its usefulness and success, nor unless the same can be established without undue injury to properly conducted existing local thrift and home-financing institutions.

ASSOCIATIONS AS MEMBERS OF FEDERAL HOME LOAN BANK

(f) Each such association, upon its incorporation, shall become automatically a member of the Federal Home Loan Bank of the district in which it is located, or if convenience shall require and the Board approve, shall become a member of a Federal Home Loan Bank of an adjoining district. Such associations shall qualify for such membership in the manner provided in the Federal Home Loan Bank Act with respect to other members.

SUBSCRIPTION TO PREFERRED STOCK BY UNITED STATES; RETIREMENT

(g) The Secretary of the Treasury is authorized on behalf of the United States to subscribe for preferred shares in such associations which shall be preferred as to the assets of the association and which shall be entitled to a dividend, if earned, after payment of expenses and provision for reasonable reserves, to the same extent as other shareholders. It shall be the duty of the Secretary of the Treasury to subscribe for such preferred shares upon the request of the Board; but the subscription by him to the shares of any one association shall not exceed \$100,000, and no such subscription shall be called for unless in the judgment of the Board the funds are necessary for the encouragement of local home financing in the community to be served and for the reasonable financing of homes in such community. Payment on such shares may be called from time to time by the association, subject to the approval of the Board and the Secretary of the Treasury; but the amount paid in by the Secretary of the Treasury shall at no time exceed the amount paid in by all other shareholders, and the aggregate amount of shares held by the Secretary of the Treasury shall not exceed at any time the aggregate amount of shares held by all other shareholders. To enable the Secretary of the Treasury to make such subscriptions when called there is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$100,000,000, to be immediately available and to remain available until expended. Each such association shall issue receipts for such payments by the Secretary of the Treasury in such form as

may be approved by the Board, and such receipts shall be evidence of the interest of the United States in such preferred shares to the extent of the amount so paid. Each such association shall make provision for the retirement of its preferred shares held by the Secretary of the Treasury, and beginning at the expiration of five years from the time of the investment in such shares, the association shall set aside one-third of the receipts from its investing and borrowing shareholders to be used for the purpose of such retirement. In case of the liquidation of any such association the shares held by the Secretary of the Treasury shall be retired at par before any payments are made to other shareholders.

#### EXEMPTIONS FROM TAXATION

(h) No State, county, municipal, or local taxing authority shall impose any tax on such associations or their franchise, capital, reserves, surplus, loans, or income greater than that imposed by such authority on other similar local mutual or cooperative thrift and home financing institutions.

#### CONVERSION OF MEMBER OF FEDERAL HOME LOAN BANK INTO FEDERAL SAVINGS AND LOAN ASSOCIATIONS; CONVERSION OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS INTO STATE-CHARTERED INSTITUTIONS

(i) Any member of a Federal Home Loan Bank may convert itself into a Federal savings and loan association under this chapter upon a vote of 51 per centum or more of the votes cast at a legal meeting called to consider such action; but such conversion shall be subject to such rules and regulations as the Board may prescribe, and thereafter the converted association shall be entitled to all the benefits of this section and shall be subject to examination and regulation to the same extent as other associations incorporated pursuant to this chapter.

Any Federal savings and loan association may convert itself into a savings and loan type of institution organized pursuant to the laws of the State, District, or Territory (hereinafter referred to in this section as the State) in which the principal office of such Federal association is located: *Provided* (1) That the State permits the conversion of any savings and loan type of institution of such State into a Federal savings and loan association; (2) that such conversion of a Federal savings and loan association into such a State institution is determined upon the vote in favor of such conversion cast in person or by proxy at a special meeting of members called to consider such action, specified by the law of the State in which the home office of the Federal association is located, as required by such law for a State-chartered institution to convert itself into a Federal association, but in no event upon a vote of less than 51 per centum of all the votes cast at such meeting, and upon compliance with other requirements reciprocally equivalent to the requirements of such State law for the conversion of a State-chartered institution into a Federal association; (3) that notice of the meeting to vote on conversion shall be given as herein provided and no other notice thereof shall be necessary; the notice shall expressly state that such meeting is called to vote thereon,



as well as the time and place thereof, and such notice shall be mailed, postage prepaid, at least twenty and not more than thirty days prior to the date of the meeting, to each member of record of the Federal association at his last address as shown on the books of the Federal association and to the General Manager of the Federal Savings and Loan Insurance Corporation, Washington, District of Columbia; (4) that, upon the effective date of the conversion, the association has repurchased the total amount invested in its shares by the Secretary of the Treasury; and (5) that if, upon the effective date of conversion, the Home Owners' Loan Corporation will hold of record shares of the association, its approval of the conversion has been obtained; (6) that, in the event of dissolution after conversion, the members or shareholders of the association will share on a mutual basis in the assets of the association in exact proportion to their relative share or account credits; (7) that such conversion shall be effective upon the date that all the provisions of this chapter shall have been fully complied with and upon the issuance of a new charter by the State wherein the association is located; it being provided that its act of converting into a State-chartered institution shall constitute an agreement to be bound by all the requirements that the Federal Savings and Loan Insurance Corporation may legally impose under section 1726 of this title, and the association shall upon conversion and thereafter be authorized to issue securities in any form currently approved at the time of issue by the Federal Savings and Loan Insurance Corporation for issuance by similar insured institutions in such State, District, or Territory.

In addition to the foregoing provision for conversion upon a vote of the members only any association chartered as a Federal savings and loan association, including any having outstanding shares held by the Secretary of the Treasury or Home Owners' Loan Corporation, may convert itself into a State institution upon an equitable basis, subject to approval, by regulations or otherwise, by the Federal Home Loan Bank Board and by the Federal Savings and Loan Insurance Corporation: *Provided*, That if the insurance of accounts is terminated in connection with such conversion, the notice and other action shall be taken as provided by law and regulations for the termination of insurance of accounts.

#### SUBSCRIPTION TO FULL-PAID INCOME SHARES BY UNITED STATES

(j) In addition to the authority to subscribe for preferred shares in Federal savings and loan associations, the Secretary of the Treasury is authorized on behalf of the United States to subscribe for any amount of full paid income shares in such associations, and it shall be the duty of the Secretary of the Treasury to subscribe for such full paid income shares upon the request of the Federal Home Loan Bank Board. Payment on such shares may be called from time to time by the association, subject to the approval of said Board and the Secretary of the Treasury, and such payments shall be made from the funds appropriated pursuant to subsection (g) of this section; but the amount paid in by the Secretary of the Treasury for shares under this subsection and said subsection (g), together shall

at no time exceed 75 per centum of the total investment in the shares of such association by the Secretary of the Treasury and other shareholders. Each such association shall issue receipts for such payments by the Secretary of the Treasury in such form as may be approved by said Board and such receipts shall be evidence of the interest of the United States in such full paid income shares to the extent of the amount so paid. No request for the repurchase of the full paid income shares purchased by the Secretary of the Treasury shall be made for a period of five years from the date of such purchase, and thereafter requests by the Secretary of the Treasury for the repurchase of such shares by such associations shall be made at the discretion of the Board; but no such association shall be requested to repurchase any such shares in any one year in an amount in excess of 10 per centum of the total amount invested in such shares by the Secretary of the Treasury. Such repurchases shall be made in accordance with the rules and regulations prescribed by the Board for such associations.

FEDERAL SAVINGS AND LOAN ASSOCIATIONS OR FEDERAL HOME LOAN BANKS  
AS FISCAL AGENTS OF UNITED STATES

(k) When designated for that purpose by the Secretary of the Treasury, any Federal savings and loan association or member of any Federal Home Loan Bank may be employed as fiscal agent of the Government under such regulations as may be prescribed by said Secretary and shall perform all such reasonable duties as fiscal agent of the Government as may be required of it. Any Federal savings and loan association or member of any Federal Home Loan Bank may act as agent for any other instrumentality of the United States when designated for that purpose by such instrumentality of the United States.

**§ 1465. Encouragement of saving and home financing**

To enable the Board to encourage local thrift and local home financing and to promote, organize, and develop the associations herein provided for or similar associations organized under local laws, there is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$150,000, to be immediately available and remain available until expended, subject to the call of the Board, which sum, or so much thereof as may be necessary, the Board is authorized to use in its discretion for the accomplishment of the purposes of this section without regard to the provisions of any other law governing the expenditure of public funds. For the purposes of this section the Secretary of the Treasury is authorized and directed to allocate and make immediately available to the Board, out of the funds appropriated pursuant to section 1464(g) of this title, the sum of \$700,000. Such sum shall be in addition to the funds appropriated pursuant to this section, and shall be subject to the call of the Board and shall remain available until expended. The sums appropriated and made available pursuant to this section shall be used impartially in the promotion and development of local thrift and home-financing institutions, whether State or federally chartered.

**§ 1466. Territorial application**

The provisions of this chapter shall apply to the continental United States (including Alaska), to the State of Hawaii, and to Puerto Rico, Guam and the Virgin Islands.

**§ 1466a. District of Columbia Savings and Loan Associations—Powers and functions of Board as to examination, operation, and regulation; enforcement provisions**

(a) Without regard to any provision of law other than this section, and without limitation on any other power or function now or hereafter vested in or exercisable by the Federal Home Loan Bank Board by or under this chapter or otherwise, the Board shall, with respect to all incorporated or unincorporated building, building or loan, building and loan, or homestead associations, and similar institutions, of or transacting or doing business in the District of Columbia, or maintaining any office in the District of Columbia (other than Federal savings and loan associations), have the same powers and functions as to examination, operation, and regulation as are now or hereafter vested in or exercisable by it with respect to Federal savings and loan associations by or under section 1464 of this title or otherwise, and all of the provisions of subsection (d) of section 1464 of this title as now or hereafter in force shall be applicable with respect to such associations or institutions.

**STATUTORY AUTHORITIES**

(b) Any such association or institution incorporated under the laws of, or organized in, the District of Columbia shall have in addition to any existing statutory authority such statutory authority as is from time to time vested in Federal savings and loan associations.

**AMENDMENT OF ORGANIC DOCUMENTS; VOTING**

(c) Charters, certificates of incorporation, articles of incorporation, constitutions, bylaws, or other organic documents of associations or institutions referred to in subsection (b) of this section may, without regard to anything contained therein or otherwise, hereafter be amended in such manner and to such extent and upon such vote or votes if any as the Federal Home Loan Bank Board may by regulation or otherwise provide.

**CONVERSION INTO FEDERAL SAVINGS AND LOAN ASSOCIATIONS; SAME REGULATIONS FOR DISTRICT AND FEDERAL ASSOCIATIONS**

(d) Nothing herein shall cause, or permit the Federal Home Loan Bank Board to cause, District of Columbia associations to be or become Federal savings and loan associations, or require the Board to impose on District of Columbia associations the same regulations as are imposed on Federal savings and loan associations.

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**§ 1469. Authority to invest in State housing corporations**

The Congress finds that Federal savings and loan associations and national banks should have the authority to assist in financing the or-



ganization and operation of any State housing corporation established under the laws of the State in which the corporation will carry on its operations. It is the purpose of this section to provide a means whereby private financial institutions can assist in providing housing, particularly for families of low- or moderate-income, by purchasing stock of and investing in loans to any such State housing corporation situated in the particular State in which the Federal savings and loan association or national bank involved is located.

**§ 1470. Federal supervision of insured institutions, State member and nonmember banks; access to information; definitions**

(a) (1) The Federal Savings and Loan Insurance Corporation with respect to insured institutions, the Board of Governors of the Federal Reserve System with respect to State member insured banks, and the Federal Deposit Insurance Corporation with respect to State nonmember insured banks shall by appropriate rule, regulation, order, or otherwise regulate investment in State housing corporations.

(2) A State housing corporation in which financial institutions invest under the authority of this section shall make available to the appropriate Federal supervisory agency referred to in paragraph (1) such information as may be necessary to insure that investments are properly made in accordance with this section.

(b) For the purposes of this section and any Act amended by this section—

(1) The term “insured institution” has the same meaning as in section 1724(a) of this title.

(2) The terms “State member insured banks” and “State nonmember insured banks” have the same meaning as when used in the Federal Deposit Insurance Act.

(3) The term “State housing corporation” means a corporation established by a State for the limited purpose of providing housing and incidental services, particularly for families of low or moderate income.

(4) The term “State” means any State, the District of Columbia, Guam, the Commonwealth of Puerto Rico, and the Virgin Islands.

## FEDERAL FINANCING BANK ACT OF 1973

[Public Law 93-224, 87 Stat. 937]

AN ACT To establish a Federal Financing Bank, to provide for coordinated and more efficient financing of Federal and federally assisted borrowings from the public, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Federal Financing Bank Act of 1973".

### FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. The Congress finds that demands for funds through Federal and federally assisted borrowing programs are increasing faster than the total supply of credit and that such borrowings are not adequately coordinated with overall Federal fiscal and debt management policies. The purpose of this Act is to assure coordination of these programs with the overall economic and fiscal policies of the Government, to reduce the costs of Federal and federally assisted borrowings from the public, and to assure that such borrowings are financed in a manner least disruptive of private financial markets and institutions.

### DEFINITIONS

SEC. 3. For the purposes of this Act—

(1) The term "Federal agency" means an executive department, an independent Federal establishment, or a corporation or other entity established by the Congress which is owned in whole or in part by the United States.

(2) The term "obligation" means any note, bond, debenture, or other evidence of indebtedness, but does not include Federal Reserve notes or stock evidencing an ownership interest in the issuing Federal agency.

(3) The term "guarantee" means any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any obligation, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions, or any guarantee or pledge arising out of a statutory obligation to insure such deposits, shares, or other withdrawable accounts.

(4) The term "Bank" means the Federal Financing Bank established by section 4 of this Act.

### CREATION OF BANK

SEC. 4. There is hereby created a body corporate to be known as the Federal Financing Bank, which shall have succession until dissolved

by an Act of Congress. The Bank shall be subject to the general supervision and direction of the Secretary of the Treasury. The Bank shall be an instrumentality of the United States Government and shall maintain such offices as may be necessary or appropriate in the conduct of its business.

#### BOARD OF DIRECTORS

SEC. 5. (a) The Bank shall have a Board of Directors consisting of five persons, one of whom shall be the Secretary of the Treasury as Chairman of the Board, and four of whom shall be appointed by the President from among the officers or employees of the Bank or of any Federal agency. The Chairman and each other member of the Board may designate some other officer or employee of the Government to serve in his place.

(b) The Board of Directors shall meet at the call of its Chairman. The Board shall determine the general policies which shall govern the operations of the Bank. The Chairman of the Board shall select and effect the appointment of qualified persons to fill such offices as may be provided for in the bylaws, and such persons shall be the executive officers of the Bank and shall discharge such executive functions, powers, and duties as may be provided for in the bylaws or by the Board of Directors. The members of the Board and their designees shall not receive compensation for their services on the Board.

#### FUNCTIONS

SEC. 6. (a) The Bank is authorized to make commitments to purchase and sell, and to purchase and sell on terms and conditions determined by the Bank, any obligation which is issued, sold, or guaranteed by a Federal agency. Any Federal agency which is authorized to issue, sell, or guarantee any obligation is authorized to issue or sell such obligations directly to the Bank.

(b) Any purchase by the Bank shall be upon such terms and conditions as to yield a return at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration (1) the current average yield on outstanding marketable obligations of the United States of comparable maturity, or (2) whenever the Bank's own obligations outstanding are sufficient, the current average yield on outstanding obligations of the Bank of comparable maturity.

(c) The Bank is authorized to charge fees for its commitments and other services adequate to cover all expenses and to provide for the accumulation of reasonable contingency reserves.

#### TREASURY APPROVAL

SEC. 7. (a) To insure the orderly and coordinated marketing of Treasury and Federal agency obligations and appropriate financing planning with respect thereto, and to facilitate the effective financing of programs authorized by law subject to the applicable provisions of such law, the prior approval of the Secretary of the Treasury shall be required with respect to—

- (1) the method of financing,
- (2) the source of financing,



(3) the timing of financing in relation to market conditions and financing by other Federal agencies, and

(4) the financing terms and conditions, including rates of interest and maturities, of obligations issued or sold by any Federal agency; except that the approval of the Secretary of the Treasury shall not be required with respect to (A) obligations issued or sold pursuant to an Act of Congress which expressly prohibits any guarantee of such obligations by the United States, and (B) obligations issued or sold by the Farmers Home Administration.

(b) Upon receipt of a request from a Federal agency for his approval under subsection (a) of this section, the Secretary of the Treasury shall act promptly either to grant his approval or to advise the agency of the reasons for withholding his approval. In no case shall the Secretary of the Treasury withhold such approval for a period longer than sixty days unless, prior to the end of such period, he submits to the Congress a detailed explanation of his reasons for so doing. In no case shall the Secretary withhold such approval for a period longer than one hundred and twenty days. To the maximum extent practicable, withholdings of approval shall be made in a manner which is not disproportionately detrimental to the functioning of any particular type of Federal program. Expedited treatment shall be accorded in any case in which the Federal agency advises the Secretary of the Treasury that unusual circumstances require such treatment.

(c) Federal agencies subject to this section shall submit financing plans to the Secretary of the Treasury at such times and in such forms as he shall prescribe.

#### INITIAL CAPITAL

SEC. 8. The Secretary of the Treasury is authorized to advance the funds necessary to provide initial capital to the Bank. Each such advance shall be upon such terms and conditions as to yield a return at a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity. Interest payments on such advances may be deferred, at the discretion of the Secretary, but any such deferred payments shall themselves bear interest at the rate specified in this section. There is authorized to be appropriated not to exceed \$100,000,000, which shall be available for the purposes of this section without fiscal year limitation.

#### OBLIGATIONS OF THE BANK

SEC. 9. (a) The Bank is authorized, with the approval of the Secretary of the Treasury, to issue publicly and have outstanding at any one time not in excess of \$15,000,000,000, or such additional amounts as may be authorized in appropriations Acts, of obligations having such maturities and bearing such rate or rates of interest as may be determined by the Bank. Such obligations may be redeemable at the option of the Bank before maturity in such manner as may be stipulated therein. So far as is feasible, the debt structure of the Bank shall be commensurate with its asset structure.

(b) The Bank is also authorized to issue its obligations to the Secretary of the Treasury and the Secretary of the Treasury may in his discretion purchase or agree to purchase any such obligations, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under the Second Liberty Bond Act are extended to include such purchases. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity. The Secretary of the Treasury may sell, upon such terms and conditions and at such price or prices as he shall determine, any of the obligations acquired by him under this subsection. All purchases and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

(c) The Bank may require the Secretary of the Treasury to purchase obligations of the Bank issued pursuant to subsection (b) in such amounts as will not cause the holding by the Secretary of the Treasury resulting from such required purchases to exceed \$5,000,000,000 at any one time. This subsection shall not be construed as limiting the authority of the Secretary to purchase obligations of the Bank in excess of such amount.

(d) Obligations of the Bank issued pursuant to this section shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States, or any agency or instrumentality of any of the foregoing, or any officer or officers thereof.

#### GENERAL POWERS

##### SEC. 10. The Bank shall have power—

- (1) to sue and be sued, complain, and defend, in its corporate name;
- (2) to adopt, alter, and use a corporate seal, which shall be judicially noticed;
- (3) to adopt, amend, and repeal bylaws, rules, and regulations as may be necessary for the conduct of its business;
- (4) to conduct its business, carry on its operations, and have offices and exercise the powers granted by this Act in any State without regard to any qualification or similar statute in any State;
- (5) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;
- (6) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Bank;
- (7) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

(8) to appoint such officers, attorneys, employees, and agents as may be required, to define their duties, to fix and to pay such compensation for their services as may be determined, subject to the civil service and classification laws, to require bonds for them and pay the premium thereof;

(9) to enter into contracts, to execute instruments to incur liabilities, and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business;

(10) to act through any corporate or other agency or instrumentality of the United States, and to utilize the services thereof on a reimbursable basis, and any such agency or instrumentality is authorized to provide services as requested by the Bank; and

(11) to determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed, and paid, subject to provisions of law specifically applicable to Government corporations.

#### EXEMPTIONS

SEC. 11. (a) The Bank, its property, its franchise, capital, reserves, surplus, security holdings, and other funds, and its income shall be exempt from all taxation now or hereafter imposed by the United States or by any State or local taxing authority; except that (1) any real property and any tangible personal property of the Bank shall be subject to Federal, State, and local taxation to the same extent according to its value as other such property is taxed, and (2) any obligations issued by the Bank shall be subject to Federal taxation to the same extent as the obligations of private corporations are taxed.

(b) All obligations issued by the Bank pursuant to this Act shall be deemed to be exempted securities within the meaning of section 3(a)(2) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)), of section 3(a)(12) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(12)), and of section 304(a)(4) of the Trust Indenture Act of 1939 (15 U.S.C. 77ddd(a)(4)).

(c) Nothing herein shall affect the budget status of the Federal agencies selling obligations to the Bank under section 6(a) of this Act, or the method of budget accounting for their transactions. The receipts and disbursements of the Bank in the discharge of its functions shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

#### PREPARATION OF OBLIGATIONS

SEC. 12. In order to furnish obligations for delivery by the Bank, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Bank may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Bank. The engraved plates, dies, bed pieces, and other material executed in connection therewith, shall remain in the custody of the



Secretary of the Treasury. The Bank shall reimburse the Secretary of the Treasury for any expenditures made in preparation, custody, and delivery of such obligations.

#### ANNUAL REPORT

SEC. 13. The Bank shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress an annual report of its operations and activities.

#### OBLIGATIONS ELIGIBLE FOR PURCHASE BY NATIONAL BANKS

SEC. 14. The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations of the Federal Financing Bank" immediately after "or obligations, participations, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association,".

#### GOVERNMENT CORPORATION CONTROL ACT

SEC. 15. The budget and audit provisions of the Government Corporation Control Act (31 U.S.C. 841 et seq.) shall be applicable to the Federal Financing Bank in the same manner as they are applied to the wholly owned Government corporations named in section 101 of such Act (31 U.S.C. 846).

#### PAYMENTS ON BEHALF OF PUBLIC BODIES

SEC. 16. (a) Notwithstanding any other provision of this Act, the purchase by the Bank of the obligations of any local public body or agency within the United States shall be made upon such terms and conditions as may be necessary to avoid an increase in borrowing costs to such local public body or agency as a result of the purchase by the Bank of its obligations. The head of the Federal agency guaranteeing such obligations, in consultation with the Secretary of the Treasury, shall estimate the borrowing costs that would be incurred by the local public body or agency if its obligations were not sold to the Bank.

(b) The Federal agency guaranteeing obligations purchased by the Bank may contract to make periodic payments to the Bank which shall be sufficient to offset the costs to the Bank of purchasing obligations of local public bodies or agencies upon terms and conditions as prescribed in this section rather than as prescribed by section 6. Such contracts may be made in advance of appropriations therefor, and appropriations for making payments under such contracts are hereby authorized.

#### NO IMPAIRMENT

SEC. 17. Nothing in this Act shall be construed as impairing any authority or responsibility of the President or the Secretary of the Treasury under any other provision of law, nor shall anything in this Act affect in any manner any provision of law concerning the right

of any Federal agency to sell obligations to the Secretary of the Treasury or the authority or responsibility of the Secretary of the Treasury to purchase such obligations.

#### PROGRAM LIMITATION

SEC. 18. Nothing in this Act shall be construed as authorizing an increase in the amounts of obligations issued, sold, or guaranteed by any Federal agency which issues, sells, or guarantees obligations purchased by the Bank.

#### SEPARABILITY

SEC. 19. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the validity of the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected.

#### EFFECTIVE DATE

SEC. 20. This Act becomes effective upon the date of its enactment, except that section 7 becomes effective upon the expiration of thirty days after such date.

Approved December 29, 1973.





## EXCERPTS FROM HOUSING AND URBAN DEVELOPMENT ACT OF 1968

[Public Law 90-448, 82 Stat. 476]

## TITLE IX—NATIONAL HOUSING PARTNERSHIPS

## STATEMENT OF PURPOSE

SEC. 901. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declare that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

## CREATION OF CORPORATIONS

SEC. 902. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29-901 et seq.).

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 907.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 907.

## PROCESS OF ORGANIZATION

SEC. 903. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 907 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

#### DIRECTORS

SEC. 904. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

#### FINANCING THE CORPORATION

SEC. 905. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without par value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

#### PURPOSES AND POWERS OF THE CORPORATION

SEC. 906. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred upon stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a-5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

#### NATIONAL HOUSING PARTNERSHIP

SEC. 907. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41-401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41-301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41-305(2)). Notwithstanding any inconsistency between the provisions of



such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that (1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to this stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership

Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

#### REPORT TO CONGRESS AND RECORDS

SEC. 908. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

#### ANTITRUST LAWS

SEC. 909. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnership, or joint ventures with either of them.

#### RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 910. The right to repeal, alter, or amend this title at any time is expressly reserved.

\* \* \* \* \*

#### STATE REGULATION

SEC. 912.<sup>1</sup> Nothing contained in this title shall preclude a State or other local jurisdiction from imposing, in accordance with the laws of such State or other local jurisdiction, any valid nondiscriminatory tax, obligation, or regulation on the partnership as a taxable and/or legal entity, but no limited partner of the partnership not otherwise subject to taxation or regulation by or judicial process of a State or other local jurisdiction shall be subject to taxation or regulation by or subject to or denied access to judicial process of such State or other local jurisdiction, or be so subject or denied access to any greater extent, because of activities of the corporation or partnership within such State or other local jurisdiction.

<sup>1</sup> Sec. 711, Emergency Home Finance Act of 1970, Public Law 91-351, approved July 24, 1970, 84 Stat. 450, 463, added sec. 912.

## EXCERPT FROM PUBLIC LAW 94-200

[89 Stat. 1124, 12 U.S.C. 461]

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## TITLE III—HOME MORTGAGE DISCLOSURE

## SHORT TITLE

SEC. 301. This title may be cited as the “Home Mortgage Disclosure Act of 1975”.

## FINDINGS AND PURPOSES

SEC. 302. (a) The Congress finds that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions.

(b) The purpose of this title is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

(c) Nothing in this title is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

## DEFINITIONS

SEC. 303. For purposes of this title—

(1) the term “mortgage loan” means a loan which is secured by residential real property or a home improvement loan;

(2) the term “depository institution” means any commercial bank, savings bank, savings and loan association, building and loan association, or homestead association (including cooperative banks) or credit union which makes federally related mortgage loans as determined by the Board;

(3) the term “Board” means the Board of Governors of the Federal Reserve System; and

(4) the term “Secretary” means the Secretary of Housing and Urban Development.

## MAINTENANCE OF RECORDS AND PUBLIC DISCLOSURE

SEC. 304. (a) (1) Each depository institution which has a home office or branch office located within a standard metropolitan statistical area, as defined by the Office of Management and Budget shall compile and make available, in accordance with regulations of the Board, to the public for inspection and copying at the home office, and at least one branch office within each standard metropolitan statistical area in



which the depository institution has an office the number and total dollar amount of mortgage loans which were (A) originated, or (B) purchased by that institution during each fiscal year (beginning with the last full fiscal year of that institution which immediately preceded the effective date of this title).

(2) The information required to be maintained and made available under paragraph (1) shall also be itemized in order to clearly and conspicuously disclose the following:

(A) The number and dollar amount for each item referred to in paragraph (1), by census tracts, where readily available at a reasonable cost, as determined by the Board, otherwise by ZIP code, for borrowers, under mortgage loans secured by property located within that standard metropolitan statistical area.

(B) The number and dollar amount for each item referred to in paragraph (1) for all such mortgage loans which are secured by property located outside that standard metropolitan statistical area.

For the purpose of this paragraph, a depository institution which maintains offices in more than one standard metropolitan statistical area shall be required to make the information required by this paragraph available at any such office only to the extent that such information relates to mortgage loans which were originated or purchased by an office of that depository institution located in the standard metropolitan statistical area in which the office making such information available is located.

(b) Any item of information relating to mortgage loans required to be maintained under subsection (a) shall be further itemized in order to disclose for each such item—

(1) the number and dollar amount of mortgage loans which are insured under title II of the National Housing Act or under title V of the Housing Act of 1949 or which are guaranteed under chapter 37 of title 38, United States Code;

(2) the number and dollar amount of mortgage loans made to mortgagors who did not, at the time of execution of the mortgage, intend to reside in the property securing the mortgage loan; and

(3) the number and dollar amount of home improvement loans.

(c) Any information required to be compiled and made available under this section shall be maintained and made available for a period of five years after the close of the first year during which such information is required to be maintained and made available.

#### ENFORCEMENT

SEC. 305. (a) The Board shall prescribe such regulations as may be necessary to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary and proper to effectuate the purposes of this title, and prevent circumvention or evasion thereof, or to facilitate compliance therewith.

(b) Compliance with the requirements imposed under this title shall be enforced under—

(1) section 8 of the Federal Deposit Insurance Act, in the case of—

(A) national banks, by the Comptroller of the Currency;  
 (B) member banks of the Federal Reserve System, other than national banks, by the Board;

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and mutual savings banks as defined in section 3(f) of the Federal Deposit Insurance Act (12 U.S.C. 1813(f)) and any other depository institution not referred to in this paragraph or paragraph (2) or (3) of this subsection, by the Board of Directors of the Federal Deposit Insurance Corporation;

(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions; and

(3) the Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any credit union.

(c) For the purpose of the exercise by any agency referred to in subsection (b) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

#### RELATION TO STATE LAWS

SEC. 306. (a) This title does not annul, alter, or affect, or exempt, any State chartered depository institution subject to the provisions of this title from complying with the laws of any State or subdivision thereof with respect to public disclosure and recordkeeping by depositor institutions, except to the extent that those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency. The Board is authorized to determine whether such inconsistencies exist. The Board may not determine that any such law is inconsistent with any provision of this title if the Board determines that such law requires the maintenance of records with greater geographic or other detail than is required under this title, or that such law otherwise provides greater disclosure than is required under this title.

(b) The Board may by regulation exempt from the requirements of this title any State chartered depository institution within any State or subdivision thereof if it determines that, under the law of such State or subdivision, that institution is subject to requirements substantially similar to those imposed under this title, and that such law contains adequate provisions for enforcement. Notwithstanding any other pro-

vision of this subsection, compliance with the requirements imposed under this subsection shall be enforced under—

(1) Section 8 of the Federal Deposit Insurance Act in the case of national banks, by the Comptroller of the Currency; and

(2) Section 5(d) of the Home Owners' Loan Act of 1933 in the case of any institution subject to that provision, by the Federal Home Loan Bank Board.

#### RESEARCH AND IMPROVED METHODS

SEC. 307. (a) (1) The Federal Home Loan Bank Board, with the assistance of the Secretary, the Director of the Bureau of the Census, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and such other persons as the Federal Home Loan Bank Board deems appropriate, shall develop, or assist in the improvement of, methods of matching addresses and census tracts to facilitate compliance by depository institutions in as economical a manner as possible with the requirements of this title.

(2) There is authorized to be appropriated such sums as may be necessary to carry out this subsection.

(3) The Federal Home Loan Bank Board is authorized to utilize, contract with, act through, or compensate any person or agency in order to carry out this subsection.

(b) The Federal Home Loan Bank Board shall recommend to the Committee on Banking, Currency and Housing of the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate such additional legislation as the Federal Home Loan Bank Board deems appropriate to carry out the purpose of this title.

#### STUDY

SEC. 308. (a) The Board, in consultation with the Secretary of Housing and Urban Development, is authorized and directed to carry out a study to determine the feasibility and usefulness of requiring depository institutions located outside standard metropolitan statistical areas, as defined by the Office of Management and Budget, to make disclosures comparable to those required by this title.

(b) A report on the study under this section shall be transmitted to the Congress not later than three years after the date of enactment of this title.

#### EFFECTIVE DATE

SEC. 309. This title shall take effect on the one hundred and eightieth day beginning after the date of its enactment. Any depository institution which has total assets as of its last full fiscal year of \$10,000,000 or less is exempt from the provisions of this title.

#### TERMINATION OF AUTHORITY

SEC. 310. The authority granted by this title shall expire four years after its effective date.

Approved December 31, 1975.



## RIGHT TO FINANCIAL PRIVACY

SEC. 1100. This title may be cited as the "Right to Financial Privacy Act of 1978".<sup>1</sup>

### DEFINITIONS

SEC. 1101. For the purpose of this title, the term—

(1) "financial institution" means any office of a bank, savings bank, card issuer as defined in section 103 of the Consumers Credit Protection Act (15 U.S.C. 1602(n)), industrial loan company, trust company, savings and loan, building and loan, or homestead association (including cooperative banks), credit union, or consumer finance institution, located in any State or territory of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, or the Virgin Islands;

(2) "financial record" means an original of, a copy of, or information known to have been derived from, any record held by a financial institution pertaining to a customer's relationship with the financial institution;

(3) "Government authority" means any agency or department of the United States, or any officer, employee, or agent thereof;

(4) "person" means an individual or a partnership of five or fewer individuals;

(5) "customer" means any person or authorized representative of that person who utilized or is utilizing any service of a financial institution, or for whom a financial institution is acting or has acted as a fiduciary, in relation to an account maintained in the person's name;

(6) "supervisory agency" means, with respect to any particular financial institution any of the following which has statutory authority to examine the financial condition or business operations of that institution—

(A) the Federal Deposit Insurance Corporation;

(B) the Federal Savings and Loan Insurance Corporation;

(C) the Federal Home Loan Bank Board;

(D) the National Credit Union Administration;

(E) the Board of Governors of the Federal Reserve System;

(F) the Comptroller of the Currency;

(G) the Securities and Exchange Commission;

(H) the Secretary of the Treasury, with respect to the Bank Secrecy Act and the Currency and Foreign Transactions Reporting Act (Public Law 91-508, titles I and II); or

(I) any State banking or securities departments or agency; and

(7) "law enforcement inquiry" means a lawful investigation or official proceeding inquiring into a violation of, or failure to comply with, any criminal or civil statute or any regulation, rule, or order issued pursuant thereto.

### CONFIDENTIALITY OF RECORDS—GOVERNMENT AUTHORITIES

SEC. 1102. Except as provided by section 1103 (c) or (d), 1113, or

<sup>1</sup> Title XI, Financial Institutions Regulatory and Interest Rate Control Act of 1978, Public Law 95-630, 92 Stat. 3641, approved November 10, 1978.

1114, no Government authority may have access to or obtain copies of, or the information contained in the financial records of any customer from a financial institution unless the financial records are reasonably described and—

(1) such customer has authorized such disclosure in accordance with section 1104;

(2) such financial records are disclosed in response to an administrative subpoena or summons which meets the requirements of section 1105;

(3) such financial records are disclosed in response to a search warrant which meets the requirements of section 1106;

(4) such financial records are disclosed in response to a judicial subpoena which meets the requirements of section 1107; or

(5) such financial records are disclosed in response to a formal written request which meets the requirements of section 1108.

#### CONFIDENTIALITY OF RECORDS—FINANCIAL INSTITUTIONS

SEC. 1103. (a) No financial institution, or officer, employees, or agent of a financial institution, may provide to any Government authority access to or copies of, or the information contained in, the financial records of any customer except in accordance with the provisions of this title.

(b) A financial institution shall not release the financial records of a customer until the Government authority seeking such records certifies in writing to the financial institution that it has complied with the applicable provisions of this title.

(c) Nothing in this title shall preclude any financial institution, or any officer, employee, or agent of a financial institution, from notifying a Government authority that such institution, or officer, employee, or agent has information which may be relevant to a possible violation of any statute or regulation.

(d) (1) Nothing in this title shall preclude a financial institution, as an incident to perfecting a security interest, proving a claim in bankruptcy, or otherwise collecting on a debt owing either to the financial institution itself or in its role as a fiduciary, from providing copies of any financial record to any court or Government authority.

(2) Nothing in this title shall preclude a financial institution, as an incident to processing an application for assistance to a customer in the form of a Government loan, loan guaranty, or loan insurance agreement, or as an incident to processing a default on, or administering, a Government guaranteed or insured loan, from initiating contact with an appropriate Government authority for the purpose of providing any financial record necessary to permit such authority to carry out its responsibilities under a loan, loan guaranty, or loan insurance agreement.

#### CUSTOMER AUTHORIZATIONS

SEC. 1104. (a) A customer may authorize disclosure under section 1102(1) if he furnishes to the financial institution and to the Government authority seeking to obtain such disclosure a signed and dated statement which—

(1) authorizes such disclosure for a period not in excess of three months;

(2) states that the customer may revoke such authorization at any time before the financial records are disclosed;

(3) identifies the financial records which are authorized to be disclosed;

(4) specifies the purposes for which, and the Government authority to which, such records may be disclosed; and

(5) states the customer's rights under this title.

(b) No such authorization shall be required as a condition of doing business with any financial institution.

(c) The customer has the right, unless the Government authority obtains a court order as provided in section 1109, to obtain a copy of the record which the financial institution shall keep off all instances in which the customer's record is disclosed to a Government authority pursuant to this section, including the identity of the Government authority to which such disclosure is made.

(d) All financial institutions shall promptly notify all of their customers of their rights under this title. The Board of Governors of the Federal Reserve System shall prepare a statement of customers' rights under this title. Any financial institution that provides its customers a statement of customers' rights prepared by the Board shall be deemed to be in compliance with this subsection.

#### ADMINISTRATIVE SUBPENA AND SUMMONS

SEC. 1105. A Government authority may obtain financial records under section 1102(2) pursuant to an administrative subpoena or summons otherwise authorized by law only if—

(1) there is reason to believe that the records sought are relevant to a legitimate law enforcement inquiry;

(2) a copy of the subpoena or summons has been served upon the customer or mailed to his last known address on or before the date on which the subpoena or summons was served on the financial institution together with the following notice which shall state with reasonable specificity the nature of the law enforcement inquiry:

"Records or information concerning your transactions held by the financial institution named in the attached subpoena or summons are being sought by this (agency or department) in accordance with the Right to Financial Privacy Act of 1978 for the following purpose: If you desire that such records or information not be made available, you must:

"1. Fill out the accompanying motion paper and sworn statement or write one of your own, stating that you are the customer whose records are being requested by the Government and either giving the reasons you believe that the records are not relevant to the legitimate law enforcement inquiry stated in this notice or any other legal basis for objecting to the release of the records.

"2. File the motion and statement by mailing or delivering them to the clerk of any one of the following United States district courts:

"3. Serve the Government authority requesting the records by mailing or delivering a copy of your motion and statement to

"4. Be prepared to come to court and present your position in further detail.



"5. You do not need to have a lawyer, although you may wish to employ one to represent you and protect your rights. If you do not follow the above procedures, upon the expiration of ten days from the date of service or fourteen days from the date of mailing of this notice, the records or information requested therein will be made available. These records may be transferred to other Government authorities for legitimate law enforcement inquiries, in which event you will be notified after the transfer."; and

(3) ten days have expired from the date of service of the notice or fourteen days have expired from the date of mailing the notice to the customer and within such time period the customer has not filed a sworn statement and motion to quash in an appropriate court, or the customer challenge provisions of section 1110 have been complied with.

#### SEARCH WARRANTS

SEC. 1106. (a) A Government authority may obtain financial records under section 1102(3) only if it obtains a search warrant pursuant to the Federal Rules of Criminal Procedure.

(b) No later than ninety days after the Government authority serves the search warrant, it shall mail to the customer's last known address a copy of the search warrant together with the following notice:

"Records or information concerning your transactions held by the financial institution named in the attached search warrant were obtained by this (agency or department) on (date) for the following purpose: . You may have right under the Right to Financial Privacy Act of 1978."

(c) Upon application of the Government authority, a court may grant a delay in the mailing of the notice required in subsection (b), which delay shall not exceed one hundred and eighty days following the service of the warrant, if the court makes the findings required in section 1109(a). If the court so finds, it shall enter an ex parte order granting the requested delay and an order prohibiting the financial institution from disclosing that records have been obtained or that a search warrant for such records has been executed. Additional delays of up to ninety days may be granted by the court upon application, but only in accordance with this subsection. Upon expiration of the period of delay of notification of the customer, the following notice shall be mailed to the customer along with a copy of the search warrant:

"Records or information concerning your transactions held by the financial institution named in the attached search warrant were obtained by this (agency or department) on (date). Notification was delayed beyond the statutory ninety-day delay period pursuant to a determination by the court that such notice would seriously jeopardize an investigation concerning . You may have rights under the Right to Financial Privacy Act of 1978."

#### JUDICIAL SUBPENA

SEC. 1107. A Government authority may obtain financial records under section 1102(4) pursuant to judicial subpena only if—

(1) such subpena is authorized by law and there is reason to

believe that the records sought are relevant to a legitimate law enforcement inquiry;

(2) a copy of the subpoena has been served upon the customer or mailed to his last known address on or before the date on which the subpoena was served on the financial institution together with the following notice which shall state with reasonable specificity the nature of the law enforcement inquiry:

"Records or information concerning your transactions which are held by the financial institution named in the attached subpoena are being sought by this (agency or department or authority) in accordance with the Right to Financial Privacy Act of 1978 for the following purpose: If you desire that such records or information not be made available, you must:

"1. Fill out the accompanying motion paper and sworn statement or write one of your own, stating that you are the customer whose records are being requested by the Government and either giving the reasons you believe that the records are not relevant to the legitimate law enforcement inquiry stated in this notice or any other legal basis for objecting to the release of the records.

"2. File the motion and statement by mailing or delivering them to the clerk of the \_\_\_\_\_ Court.

"3. Serve the Government authority requesting the records by mailing or delivering a copy of your motion and statement to \_\_\_\_\_.

"4. Be prepared to come to court and present your position in further detail.

"5. You do not need to have a lawyer, although you may wish to employ one to represent you and protect your rights. If you do not follow the above procedures, upon the expiration of ten days from the date of service or fourteen days from the date of mailing of this notice, the records or information requested therein will be made available. These records may be transferred to other government authorities for legitimate law enforcement inquiries, in which event you will be notified after the transfer;" and

(3) ten days have expired from the date of service or fourteen days from the date of mailing of the notice to the customer and within such time period the customer has not filed a sworn statement and motion to quash in an appropriate court, or the customer challenge provisions of section 1110 have been complied with.

#### FORMAL WRITTEN REQUEST

SEC. 1108. A Government authority may request financial records under section 1102(5) pursuant to a formal written request only if—

(1) no administrative summons or subpoena authority reasonably appears to be available to that Government authority to obtain financial records for the purpose for which such records are sought;

(2) the request is authorized by regulations promulgated by the head of the agency or department;

(3) there is reason to believe that the records sought are relevant to a legitimate law enforcement inquiry; and

(4) (A) a copy of the request has been served upon the customer or mailed to his last known address on or before the date on which the request was made to the financial institution together with the following notice which shall state with reasonable specificity the nature of the law enforcement inquiry:

"Records or information concerning your transactions held by the financial institution named in the attached request are being sought by this (agency or department) in accordance with the Right to Financial Privacy Act of 1978 for the following purpose:

"If you desire that such records or information not be made available, you must:

"1. Fill out the accompanying motion paper and sworn statement or write one of your own, stating that you are the customer whose records are being requested by the Government and either giving the reasons you believe that the records are not relevant to the legitimate law enforcement inquiry stated in this notice or any other legal basis for objecting to the release of the records.

"2. File the motion and statement by mailing or delivering them to the clerk of any one of the following United States District Courts:

"3. Serve the Government authority requesting the records by mailing or delivering a copy of your motion and statement to

"4. Be prepared to come to court and present your position in further detail.

"5. You do not need to have a lawyer, although you may wish to employ one to represent you and protect your rights. If you do not follow the above procedures, upon the expiration of ten days from the date of service or fourteen days from the date of mailing of this notice, the records or information requested therein may be made available. These records may be transferred to other Government authorities for legitimate law enforcement inquiries, in which event you will be notified after the transfer;" and

(B) ten days have expired from the date of service or fourteen days from the date of mailing of the notice by the customer and within such time period the customer has not filed a sworn statement and an application to enjoin the Government authority in an appropriate court, or the customer challenge provisions of section 1110 have been complied with.

#### DELAYED NOTICE—PRESERVATION OF RECORDS

SEC. 1109. (a) Upon application of the Government authority, the customer notice required under section 1104(c), 1105(2), 1106(c), 1107(2), 1108(4), or 1112(b) may be delayed by order of an appropriate court if the presiding judge or magistrate finds that—

(1) the investigation being conducted is within the lawful jurisdiction of the Government authority seeking the financial records:

(2) there is reason to believe that the records being sought are relevant to a legitimate law enforcement injury; and



- (3) there is reason to believe that such notice will result in—
- (A) endangering life or physical safety of any person;
  - (B) flight from prosecution;
  - (C) destruction of or tampering with evidence;
  - (D) intimidation of potential witnesses; or
  - (E) otherwise seriously jeopardizing an investigation or official proceeding or unduly delaying a trial or ongoing official proceeding to the same extent as the circumstances in the preceding subparagraphs.

An application for delay must be made with reasonable specificity.

(b)(1) If the court makes the findings required in paragraphs (1), (2), and (3) of subsection (a), it shall enter an ex parte order granting the requested delay for a period not to exceed ninety days and an order prohibiting the financial institution from disclosing that records have been obtained or that a request for records has been made, except that, if the records have been sought by a Government authority exercising financial controls over foreign accounts in the United States under section 5(b) of the Trading with the Enemy Act (50 U.S.C. App. 5(b)), the International Emergency Economic Powers Act (title II, Public Law 95-223), or section 5 of the United Nations Participation Act (22 U.S.C. 287c), and the court finds that there is reason to believe that such notice may endanger the lives or physical safety of a customer or group of customers, or any person or group of persons associated with a customer, the court may specify that the delay be indefinite.

(2) Extensions of the delay of notice provided in paragraph (1) of up to ninety days each may be granted by the court upon application, but only in accordance with this subsection.

(3) Upon expiration of the period of delay of notification under paragraph (1) or (2), the customer shall be served with or mailed a copy of the process or request together with the following notice which shall state with reasonable specificity the nature of the law enforcement inquiry;

“Records or information concerning your transactions which are held by the financial institution named in the attached process or request were supplied to or requested by the Government authority named in the process or request on (date). Notification was withheld pursuant to a determination by the (title of court so ordering) under the Right to Financial Privacy Act of 1978 that such notice might (state reason). The purpose of the investigation or official proceeding was .”

(c) When access to financial records is obtained pursuant to section 1114(b) (emergency access), the Government authority shall, unless a court has authorized delay of notice pursuant to subsections (a) and (b), as soon as practicable after such records are obtained serve upon the customer, or mail by registered or certified mail to his last known address, a copy of the request to the financial institution together with the following notice which shall state with reasonable specificity the nature of the law enforcement inquiry:

“Records concerning your transactions held by the financial institution named in the attached request were obtained by (agency or department) under the Right to Financial Privacy Act of 1978 on (date) for the following purpose: Emergency access to such records was obtained on the grounds that (state grounds).”

(d) Any memorandum, affidavit, or other paper filed in connection with a request for delay in notification shall be preserved by the court. Upon petition by the customer to whom such records pertain, the court may order disclosure of such papers to the petitioner unless the court makes the findings required in subsection (a).

#### CUSTOMER CHALLENGE PROVISIONS

SEC. 1110. (a) Within ten days of service or within fourteen days of mailing of a subpoena, summons, or formal written request, a customer may file a motion to quash an administrative summons or judicial subpoena, or an application to enjoin a Government authority from obtaining financial records pursuant to a formal written request, with copies served upon the Government authority. A motion to quash a judicial subpoena shall be filed in the court which issued the subpoena. A motion to quash an administrative summons or an application to enjoin a Government authority from obtaining records pursuant to a formal written request shall be filed in the appropriate United States district court. Such motion or application shall contain an affidavit or sworn statement—

(1) stating that the applicant is a customer of the financial institution from which financial records pertaining to him have been sought; and

(2) stating the applicant's reasons for believing that the financial records sought are not relevant to the legitimate law enforcement inquiry stated by the Government authority in its notice, or that there has not been substantial compliance with the provisions of this title.

Service shall be made under this section upon a Government authority by delivering or mailing by registered or certified mail a copy of the papers to the person, office, or department specified in the notice which the customer has received pursuant to this title. For the purposes of this section, "delivery" has the meaning stated in rule 5(b) of the Federal Rules of Civil Procedure.

(b) If the court finds that the customer has complied with subsection (a), it shall order the Government authority to file a sworn response, which may be filed in camera if the Government includes in its response the reasons which make in camera review appropriate. If the court is unable to determine the motion or application on the basis of the parties' initial allegations and response, the court may conduct such additional proceedings as it deems appropriate. All such proceedings shall be completed and the motion or application decided within seven calendar days of the filing of the Government's response.

(c) If the court finds that the applicant is not the customer to whom the financial records sought by the Government authority pertain, or that there is a demonstrable reason to believe that the law enforcement inquiry is legitimate and a reasonable belief that the records sought are relevant to that inquiry, it shall deny the motion or application, and, in the case of an administrative summons or court order other than a search warrant, order such process enforced. If the court finds that the applicant is the customer to whom the records sought by the Government authority pertain, and that there is not a demonstrable reason to believe that the law enforcement inquiry is legitimate and a reasonable belief that the records sought are relevant to that inquiry, or that there has not been substantial compliance with the provisions

of this title, it shall order the process quashed or shall enjoin the Government authority's formal written request.

(d) A court ruling denying a motion or application under this section shall not be deemed a final order and no interlocutory appeal may be taken therefrom by the customer. An appeal of a ruling denying a motion or application under this section may be taken by the customer (1) within such period of time as provided by law as part of any appeal from a final order in any legal proceeding initiated against him arising out of or based upon the financial records, or (2) within thirty days after a notification that no legal proceeding is contemplated against him. The Government authority obtaining the financial records shall promptly notify a customer when a determination has been made that no legal proceeding against him is contemplated. After one hundred and eighty days from the denial of the motion or application, if the Government authority obtaining the records has not initiated such a proceeding, a supervisory official of the Government authority shall certify to the appropriate court that no such determination has been made. The court may require that such certifications be made, at reasonable intervals thereafter, until either notification to the customer has occurred or a legal proceeding is initiated as described in clause (A).

(e) The challenge procedures of this title constitute the sole judicial remedy available to a customer to oppose disclosure of financial records pursuant to this title.

(f) Nothing in this title shall enlarge or restrict any rights of a financial institution to challenge requests for records made by a Government authority under existing law. Nothing in this title shall entitle a customer to assert the rights of a financial institution.

#### DUTY OF FINANCIAL INSTITUTIONS

SEC. 1111. Upon receipt of a request for financial records made by a Government authority under section 1105 or 1107, the financial institution shall, unless otherwise provided by law, proceed to assemble the records requested and must be prepared to deliver the records to the Government authority upon receipt of the certificate required under section 1103(b).

#### USE OF INFORMATION

SEC. 1112. (a) Financial records originally obtained pursuant to this title shall not be transferred to another agency or department unless the transferring agency or department certifies in writing that there is reason to believe that the records are relevant to a legitimate law enforcement inquiry within the jurisdiction of the receiving agency or department.

(b) When financial records subject to this title are transferred pursuant to subsection (a), the transferring agency or department shall, within fourteen days, send to the customer a copy of the certification made pursuant to subsection (a) and the following notice, which shall state the nature of the law enforcement inquiry with reasonable specificity: "Copies of, or information contained in, your financial records lawfully in possession of \_\_\_\_\_ have been furnished to \_\_\_\_\_ pursuant to the Right of Financial Privacy Act of 1978 for the following purpose:



. If you believe that this transfer has not been made to further a legitimate law enforcement inquiry, you may have legal rights under the Financial Privacy Act of 1978 or the Privacy Act of 1974."

(c) Notwithstanding subsection (b), notice to the customer may be delayed if the transferring agency or department has obtained a court order delaying notice pursuant to section 1109 (a) and (b) and that order is still in effect, or if the receiving agency or department obtains a court order authorizing a delay in notice pursuant to section 1109 (a) and (b). Upon the expiration of any such period of delay, the transferring agency or department shall serve to the customer the notice specified in subsection (b) above and the agency or department that obtained the court order authorizing a delay in notice pursuant to section 1109 (a) and (b) shall serve to the customer the notice specified in section 1109(b).

(d) Nothing in this title prohibits any supervisory agency from exchanging examination reports or other information with another supervisory agency. Nothing in this title prohibits the transfer of a customer's financial records needed by counsel for a Government authority to defend an action brought by the customer. Nothing in this title shall authorize the withholding of information by any officer or employee of a supervisory agency from a duly authorized committee or subcommittee of the Congress.

#### EXCEPTIONS

SEC. 1113. (a) Nothing in this title prohibits the disclosure of any financial records or information which is not identified with or identifiable as being derived from the financial records of a particular customer.

(b) Nothing in this title prohibits examination by or disclosure to any supervisory agency of financial records or information in the exercise of its supervisory, regulatory, or monetary functions with respect to a financial institution.

(c) Nothing in this title prohibits the disclosure of financial records in accordance with procedures authorized by the Internal Revenue Code.

(d) Nothing in this title shall authorize the withholding of financial records or information required to be reported in accordance with any Federal statute or rule promulgated thereunder.

(e) Nothing in this title shall apply when financial records are sought by a Government authority under the Federal Rules of Civil or Criminal Procedure or comparable rules of other courts in connection with litigation to which the Government authority and the customer are parties.

(f) Nothing in this title shall apply when financial records are sought by a Government authority pursuant to an administrative subpoena issued by an administrative law judge in an adjudicatory proceeding subject to section 554 of title 5, United States Code, and to which the Government authority and the customer are parties.

(g) The notice requirements of this title and sections 1110 and 1112 shall not apply when a Government authority by a means described in section 1102 and for a legitimate law enforcement inquiry is seeking only the name, address, account number, and type of account of any

customer or ascertainable group of customers associated (1) with a financial transaction or class of financial transactions, or (2) with a foreign country or subdivision thereof in the case of a Government authority exercising financial controls over foreign accounts in the United States under section 5(b) of the Trading with the Enemy Act (50 U.S.C. App. 5(b)); the International Emergency Economic Powers Act (title II, Public Law 95-223); or section 5 of the United Nations Participation Act (22 U.S.C. 287(c)).

(h) (1) Nothing in this title (except sections 1103, 1117 and 1118) shall apply when financial records are sought by a Government authority—

(A) in connection with a lawful proceeding, investigation, examination, or inspection directed at the financial institution in possession of such records or at a legal entity which is not a customer; or

(B) in connection with the authority's consideration or administration of assistance to the customer in the form of a Government loan, loan guaranty, or loan insurance program.

(2) When financial records are sought pursuant to this subsection, the Government authority shall submit to the financial institution the certificate required by section 1103(b). For access pursuant to paragraph (1)(B), no further certification shall be required for subsequent access by the certifying Government authority during the term of the loan, loan guaranty, or loan insurance agreement.

(3) After the effective date of this title, whenever a customer applies for participation in a Government loan, loan guaranty, or loan insurance program, the Government authority administering such program shall give the customer written notice of the authority's access rights under this subsection. No further notification shall be required for subsequent access by that authority during the term of the loan, loan guaranty, or loan insurance agreement.

(4) Financial records obtained pursuant to this subsection may be used only for the purpose for which they were originally obtained, and may be transferred to another agency or department only when the transfer is to facilitate a lawful proceeding, investigation, examination, or inspection directed at the financial institution in possession of such records, or at a legal entity which is not a customer, except that—

(A) nothing in this paragraph prohibits the use or transfer of a customer's financial records needed by counsel representing a Government authority in a civil action arising from a Government loan, loan guaranty, or loan insurance agreement; and

(B) nothing in this paragraph prohibits a Government authority providing assistance to a customer in the form of a loan, loan guaranty, or loan insurance agreement from using or transferring financial records necessary to process, service or foreclose a loan, or to collect on an indebtedness to the Government resulting from a customer's default.

(5) Notification that financial records obtained pursuant to this subsection may relate to a potential civil, criminal, or regulatory violation by a customer may be given to an agency or department with jurisdiction over that violation, and such agency or department may then seek access to the records pursuant to the provisions of this title.

(6) Each financial institution shall keep a notation of each disclosure made pursuant to paragraph (1) (B) of this subsection, including the date of such disclosure and the Government authority to which it was made. The customer shall be entitled to inspect this information.

(i) Nothing in this title (except sections 1115 and 1120) shall apply to any subpoena or court order issued in connection with proceedings before a grand jury.

(j) This title shall not apply when financial records are sought by the General Accounting Office pursuant to an authorized proceeding, investigation, examination or audit directed at a government authority.

#### SPECIAL PROCEDURES

SEC. 1114. (a) (1) Nothing in this title (except sections 1115, 1117, 1118, and 1121) shall apply to the production and disclosure of financial records pursuant to requests from—

(A) a Government authority authorized to conduct foreign counter- or foreign positive-intelligence activities for purposes of conducting such activities; or

(B) the Secret Service for the purpose of conducting its protective functions (18 U.S.C. 3056; 3 U.S.C. 202, Public Law 90-331, as amended).

(2) In the instances specified in paragraph (1), the Government authority shall submit to the financial institution the certificate required in section 1103(b) signed by a supervisory official of a rank designated by the head of the Government authority.

(3) No financial institution, or officer, employee, or agent of such institution, shall disclose to any person that a Government authority described in paragraph (1) has sought or obtain access to a customer's financial records.

(4) The Government authority specified in paragraph (1) shall compile an annual tabulation of the occasions in which this section was used.

(b) (1) Nothing in this title shall prohibit a Government authority from obtaining financial records from a financial institution if the Government authority determines that delay in obtaining access to such records would create imminent danger of—

(A) physical injury to any person;

(B) serious property damage; or

(C) flight to avoid prosecution.

(2) In the instances specified in paragraph (1), the Government shall submit to the financial institution of the certificate required in section 1103(b) signed by a supervisory official of a rank designated by the head of the Government authority.

(3) Within five days of obtaining access to financial records under this subsection, the Government authority shall file with the appropriate court a signed, sworn statement of a supervisory official of a rank designated by the head of the Government authority setting forth the grounds for the emergency access. The Government authority shall thereafter comply with the notice provisions of section 1109(c).

(4) The Government authority specified in paragraph (1) shall compile an annual tabulation of the occasions in which this section was used.



## COST REIMBURSEMENT

SEC. 1115. (a) Except for records obtained pursuant to section 1103(d) or 1113 (a) through (h), or as otherwise provided by law, a Government authority shall pay to the financial institution assembling or providing financial records pertaining to a customer and in accordance with procedures established by this title a fee for reimbursement for such costs as are reasonably necessary and which have been directly incurred in searching for, reproducing, or transporting books, papers, records, or other data required or requested to be produced. The Board of Governors of the Federal Reserve System shall, by regulation, establish the rates and conditions under which such payment may be made.

(b) This section shall take effect on October 1, 1979.

## JURISDICTION

SEC. 1116. An action to enforce any provision of this title may be brought in any appropriate United States district court without regard to the amount in controversy within three years from the date on which the violation occurs or the date of discovery of such violation, whichever is later.

## CIVIL PENALTIES

SEC. 1117. (a) Any agency or department of the United States or financial institution obtaining or disclosing financial records or information contained therein in violation of this title is liable to the customer to whom such records relate in an amount equal to the sum of—

- (1) \$100 without regard to the volume of records involved;
- (2) any actual damages sustained by the customer as a result of the disclosure;
- (3) such punitive damages as the court may allow, where the violation is found to have been willful or intentional; and
- (4) in the case of any successful action to enforce liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

(b) Whenever the court determines that any agency or department of the United States has violated any provision of this title and the court finds that the circumstances surrounding the violation raise questions of whether an officer or employee of the department or agency acted willfully or intentionally with respect to the violation, the Civil Service Commission shall promptly initiate a proceeding to determine whether disciplinary action is warranted against the agent or employee who was primarily responsible for the violation. The Commission after investigation and consideration of the evidence submitted, shall submit its findings and recommendations to the administrative authority of the agency concerned and shall send copies of the findings and recommendations to the officer or employee or his representative. The administrative authority shall take the corrective action that the Commission recommends.

(c) Any financial institution or agent or employee thereof making a disclosure of financial records pursuant to this title in good-faith reliance upon a certificate by any Government authority shall not be liable to the customer for such disclosure.

(d) The remedies and sanctions described in this title shall be the only authorized judicial remedies and sanctions for violations of this title.

#### INJUNCTIVE RELIEF

SEC. 1118. In addition to any other remedy contained in this title, injunctive relief shall be available to require that the procedures of this title are complied with. In the event of any successful action, costs together with reasonable attorney's fees as determined by the court may be recovered.

#### SUSPENSION OF STATUTES OF LIMITATIONS

SEC. 1119. If any individual files a motion or application under this title which has the effect of delaying the access of a Government authority to financial records pertaining to such individual, any applicable statute of limitations shall be deemed to be tolled for the period extending from the date such motion or application was filed until the date upon which the motion or application is decided.

#### GRAND JURY INFORMATION

SEC. 1120. Financial records about a customer obtained from a financial institution pursuant to a subpoena issued under the authority of a Federal grand jury—

- (1) shall be returned and actually presented to the grand jury;
- (2) shall be used only for the purpose of considering whether to issue an indictment or presentment by that grand jury, or of prosecuting a crime for which that indictment or presentment is issued, or for a purpose authorized by rule 6(e) of the Federal Rules of Criminal Procedure;
- (3) shall be destroyed or returned to the financial institution if not used for one of the purposes specified in paragraph (2); and
- (4) shall not be maintained, or a description of the contents of such records shall not be maintained by any Government authority other than in the sealed records of the grand jury unless such record has been used in the prosecution of a crime for which the grand jury issued an indictment or presentment or for a purpose authorized by rule 6(e) of the Federal Rules of Criminal Procedure.

#### REPORTING REQUIREMENTS

SEC. 1121. (a) In April of each year, the Director of the Administrative Office of the United States Courts shall send to the appropriate committees of Congress a report concerning the number of applications for delays of notice made pursuant to section 1109 and the number of customer challenges made pursuant to section 1110 during the preceding calendar year. Such report shall include: the identity of the Government authority requesting a delay of notice; the number of notice delays sought and the number granted under each subparagraph of section 1109(a)(3); the number of notice delay extensions sought and the number granted; and the number of customer challenges made and the number that are successful.

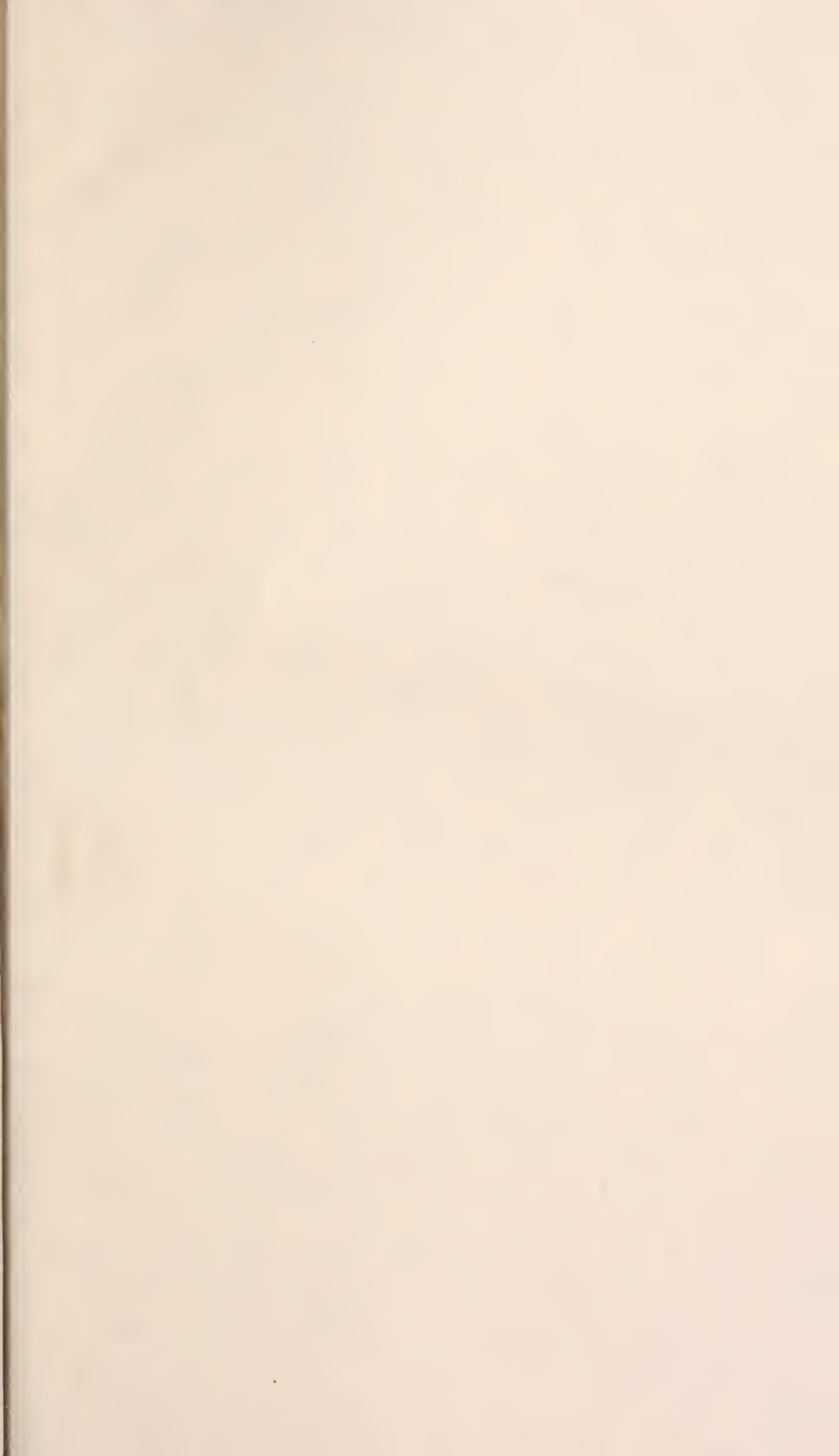
(b) In April of each year, each Government authority that requests access to financial records of any customer from a financial institution

pursuant to section 1104, 1105, 1106, 1107, 1108, 1109, or 1114 shall send to the appropriate committees of Congress a report describing requests made during the preceding calendar year. Such report shall include the number of requests for records made pursuant to each section of this title listed in the preceding sentence and any other related information deemed relevant or useful by the Government authority.

SEC. 1122. The Securities and Exchange Commission shall not be subject to the provisions of this title for a period of two years from the date of enactment of the title.





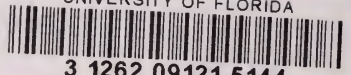








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